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INSIDE

GP WORKSHOP
How to prepare for a successful IPO.

CEE FOCUS
Insights on the CEE region from Abris Capital, Enterprise Investors, EY, Innova Capital, Mid Europa Partners and more!

PEA SHORTLIST
The Private Equity Awards' House of the Year shortlists.

VENTURE VIEWS
In conversation with Dawn Capital's Haakon Overli.

FAMILY FORTUNE

Family businesses in CEE present golden opportunities for PE managers.

Editorial

Leader Talya Misiri

The stock exchange: Friend or foe

While stock exchanges can be a telling illustration of the state of economies across the world, private equiteers' attention is being drawn to these for different reasons.

In times of economic crisis and uncertainty, all eyes turn to the stock market as share prices of listed businesses continuously fluctuate. This time round, it is no different. The turmoil caused by the Covid-19 pandemic sent exchanges across the world into a frenzy that was largely caused by world leaders' decisions to shut down significant parts of their economies.

While stock exchanges can be a telling illustration of the state of economies across the world, private equiteers' attention is being drawn to these for different reasons.

In the UK, private equity firms are keen to increase their pursuit of listed businesses that have fallen on the London Stock Exchange, with Pub chain Marston's, private jet services group Signature Aviation and power supplier Aggreko among those recently bought by buyout houses.

Indeed as the LSE continues to struggle, approaches from PE managers this year have continued. The *FT* recently revealed that six approaches of this kind have taken place in 2021 so far, compared to 14 in the whole of last year, according to data provider Dealogic.

Warsaw and beyond

This issue, our magazine largely focuses on Central and Eastern Europe [pages 6 to 15] and it is in this region that some dealmakers are contemplating the impact of the stock market on their investment activity.

In contrast to the UK, the Warsaw Stock Exchange, the largest capital market in emerging Europe, enjoyed considerable growth in 2020, being the second stock exchange in Europe in terms of liquidity growth.

Commenting on this, Enterprise Investors president Jacek Siwicki told *Real Deals*: "One interesting development in Warsaw, Poland, is the developments in the stock market. The stock market was revived in the second half of the year [2020], and we saw the flagship floatation of Allegro, the private equity-backed business that went public, and then at the end of last year/early 2021 Advent took InPost public in Amsterdam. These were the paradigm shift events on the Warsaw Stock Exchange as they were very large transactions at a couple of billion euros, both were substantially oversubscribed…"

Indeed, the stock exchange, which will celebrate its 30th birthday in April, recorded the second-largest initial public offering (IPO) in Europe and a record number of listings for gaming companies.

In addition, the WSE's NewConnect, a multilateral trading facility, established in 2007, allows smaller and newer companies to be listed in a way that is much less burdensome and much cheaper than a traditional stock exchange IPO. For NewConnect, which currently lists 373 companies, 2020 was a landmark year for turnover. And, in November, total equity turnover grew 926 per cent year-on-year to 1.5 billion Polish zloty (c.€327.6m).

However, with the Polish stock market's success, the question at hand is: Is the strength of the WSE a threat to PE in the CEE? And, can PE work with the stock exchange or is there a continuous battle between PE backing and IPOs?

Enterprise Investors' Siwicki is not so convinced that a booming stock exchange and private equity can coexist in perfect harmony. He says: "I'm less happy with the IPO renewal, because people have thought, for the last few years, that taking a company public in Warsaw was not really an option, especially if you had a smaller business. But now, it looks like you can try to do it and the valuation multiples are exciting enough to make people scratch their heads and think twice."

Dealmakers across the CEE region considered these IPOs and flotations of smaller companies as a notable trend. However, despite some concerns regarding the stock exchange as a barrier to dealmaking for private equiteers, the CEE region continues to prosper.

Each of the firms included in our CEE focus highlight both their firm's and the region's resilience over the last year and the sectors and strategies that have come out on top in private equity.

Contents

4
Alphabites
The BVCA's diversity blueprint, four fundraises and a shift towards management fees.

6
Family fortune
Family businesses in CEE present opportunities for PE managers.

10
GP Workshop
How to prepare for a successful IPO.

11
Abris Capital
Attractive sectors in CEE and Abris' decarbonisation ambitions.

12
EY: Overlooked opportunities in CEE
Advantages and disadvantages of investing in the region.

13
Enterprise Investors
Expansion financing and the Warsaw Stock Exchange's impact on PE.

14
Innova Capital
The firm's succession process and key deals in 2020.

16
Mid Europa Partners
Successful dealmaking and CEE's convergence towards Western Europe.

17
Secondaries: GP-led
GP-led deals surge despite wider secondaries dip.

20
PEA Shortlist
The Private Equity Awards' House of the Year shortlists.

24
Corporate finance corner
ARX Corporate Finance on digitalisation and data in PE.

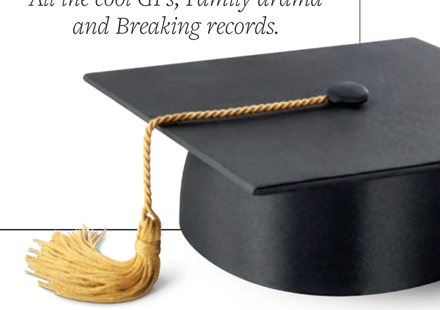
26
Transformation of the European investor base
The evolution of LPs and what this means for managers.

27
Venture views
In conversation with Dawn Capital's Haakon Overli.

28
DIBS
A round up of deals from the last few weeks.

30
People
New appointments at Kester Capital, Piper and more.

31
Vulture
All the cool GPs; Family drama and Breaking records.



Alphabites

Genesis growth fund hits €40m hard cap

Genesis Growth Equity has raised €40m for its Genesis Growth Equity Fund I, reaching its hard cap in December 2020.

The fund will invest equity tickets of up to €4m into established companies with significant growth potential mainly in the Czech Republic and Slovakia, which plan on expanding their operations, growing internationally or investing into innovations.

The GGEF I team sees a large number of opportunities in this market segment and will provide entrepreneurs and companies with additional capital and support to back their business expansion.

During 2020, the fund already completed its first two investments, acquiring majority stakes in R2B2, a provider of programmatic advertising services in the Czech Republic, and Home Care Promedica, a provider of professional home healthcare services mainly in the Prague area.

Additional commitments to the fund were made by SPM Capital and Sirius Investments. ●

Palico launches video-based fundraising

Private equity digital marketplace Palico has launched Palicalls, a video service integrated into a digital fundraising platform.

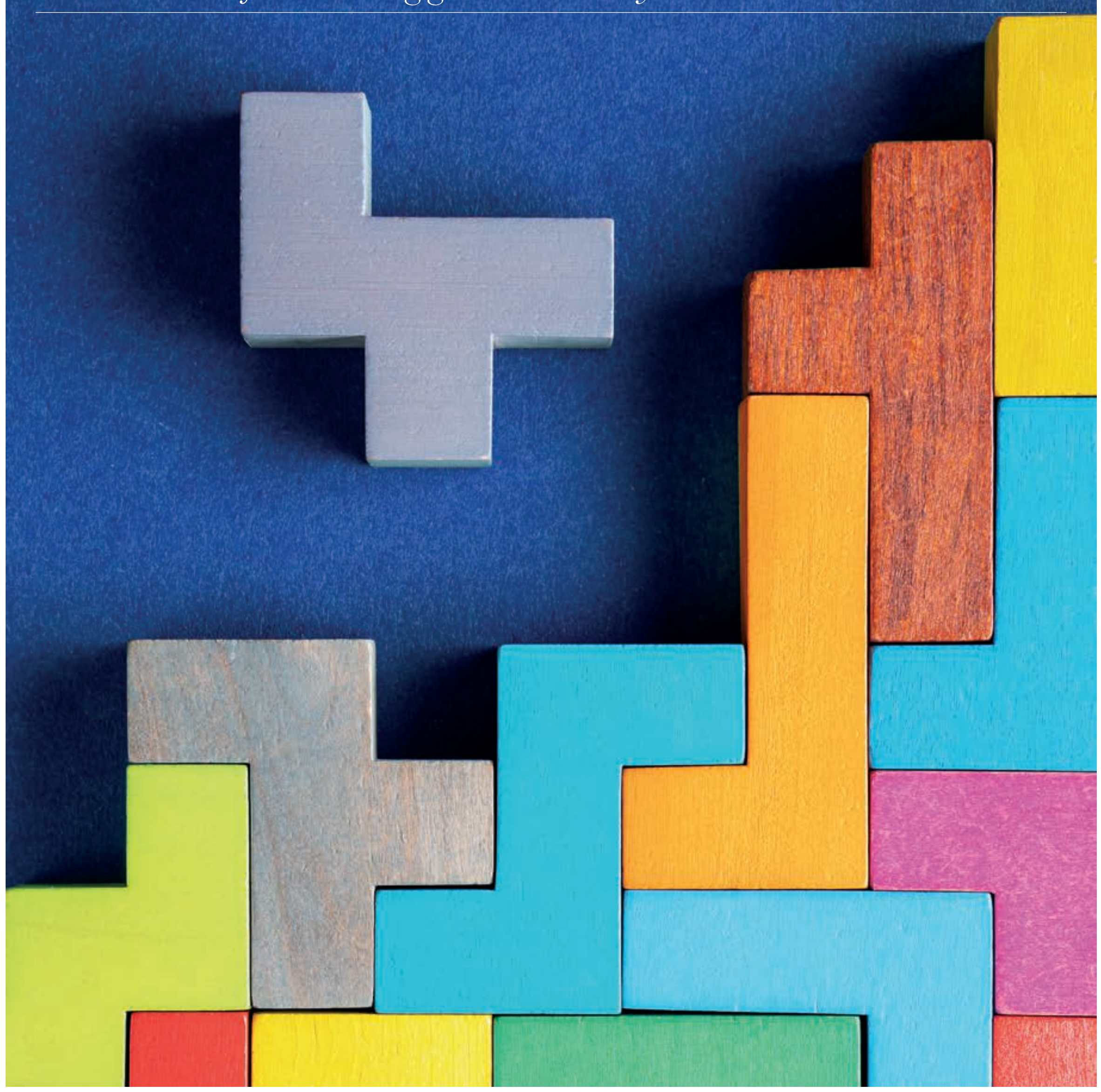
The new function enables LPs and fund managers to book video meetings via a fully integrated dashboard that collates all relevant fundraising materials, communications and information into one space.

This video solution will complement Palico's current fundraising tools, which include an encrypted virtual data room and messaging module, a statistical report and a newsroom where fund managers provide updates on milestones and achievements.

"Technology is here to make virtual meetings seamless, and now is an ideal moment to add a powerful video function to our fundraising services," said Palico's CEO, Julien Gervaz. "One of the lessons of this bleak Covid-19 crisis is that a lot of fundraising can be done online. By humanising digital relationships, Palico should significantly boost the popularity of virtual private equity fundraising."●

BVCA publishes new D&I blueprint

Venture capital and private equity investors have joined forces to publish a next-generation blueprint for achieving greater diversity and inclusion.



Venture capital and private equity investors have joined forces to publish a blueprint for achieving greater diversity and inclusion. The document, *Guidance and best practice examples for VCs, private equity and institutional investors,* has been published by The British Venture Capital Association (BVCA) as a resource to offer practical advice and best practice to increase investment in under-represented founders and drive diversity and returns across the investment sector.

A wide range of investors and professionals came together to write these guidelines, including; Atomico, Pollen Street Capital, Ada Ventures, Adelpha, Astia, KPMG, Diversity VC and Diversio.

The report draws attention to four main areas of focus: Talent acquisition; retention and development; Internal education, culture and policy; Outreach, access to dealflow, and unconscious investment bias; and Influence, external guidance and portfolio management.

It comes two years after The Rose Review was published. Penned by Natwest Group CEO Alison Rose, the review found that just 1 per cent of UK venture funding goes to all-female founders. The review was launched to identify the disparities between male and female entrepreneurs when starting and scaling businesses. Within a year of publication, the UK Enterprise Fund was launched to promote diversity amongst entrepreneurs.

Research in 2019, conducted by MVision Private Equity Advisors and French business school HEC, also found that PE investment committees that included women would produce higher returns and have a lower risk of failure overall. ●

BRIEFS

Fundraising boutique Ermitage Partners is launched

Ermitage Partners, a Nordic-based fundraising boutique, has been launched. Ermitage advises managers on raising capital from institutional investors and large family offices in Europe and South Korea. The firm works alongside global fund managers as their local collaboration partner. Ermitage also serves as an advisor for emerging managers to help broaden their investor base, both within and outside of their region.

IPEM to reveal Covid-19 documentary

Private equity event business IPEM is set to release its private equity documentary on 3 March 2021. The short film, titled *Rebooted: Private equity and the great Covid reset,* features a series of interviews with private equity heavyweights across the UK and Europe. The documentary, which will also be split into three short parts will illustrate the private equity industry over the last year and how the asset class reacted to the Covid-19 pandemic. Two trailers have been released so far.

Flashpoint launches later-stage secondary fund

Flashpoint has launched its secondary fund, targeting $200m after completing a first close of $70m. Aimed at later-stage tech companies, the fund will provide liquidity for early-stage shareholders and add value through the expertise of the Flashpoint team. The secondary fund is anchored by the Scheinberg family office, the founders and former owners of Pokerstars.

Alphabites

Golding buyout fund closes on €375m

Golding Capital Partners has held the final close on Golding Buyout 2018 at €375m, its largest buyout fund to date.

For the Golding Buyout 2018 programme, the asset manager will work with established, mostly invitation-only fund managers in Europe and North America to exploit the return potential of small and mid-cap buyouts.

A total of 29 investors have committed to the new fund, mostly insurance companies, pension funds, banks and foundations from German-speaking countries. The majority of LPs (76 per cent) are existing investors, some of whom have also invested with Golding in private debt or infrastructure programmes.

Golding Buyout 2018 has a particular focus on growth strategies in the software and technology sector.

Around 80 per cent of the investment programme has already been allocated to 17 target funds and will be largely invested from 2021 onwards.

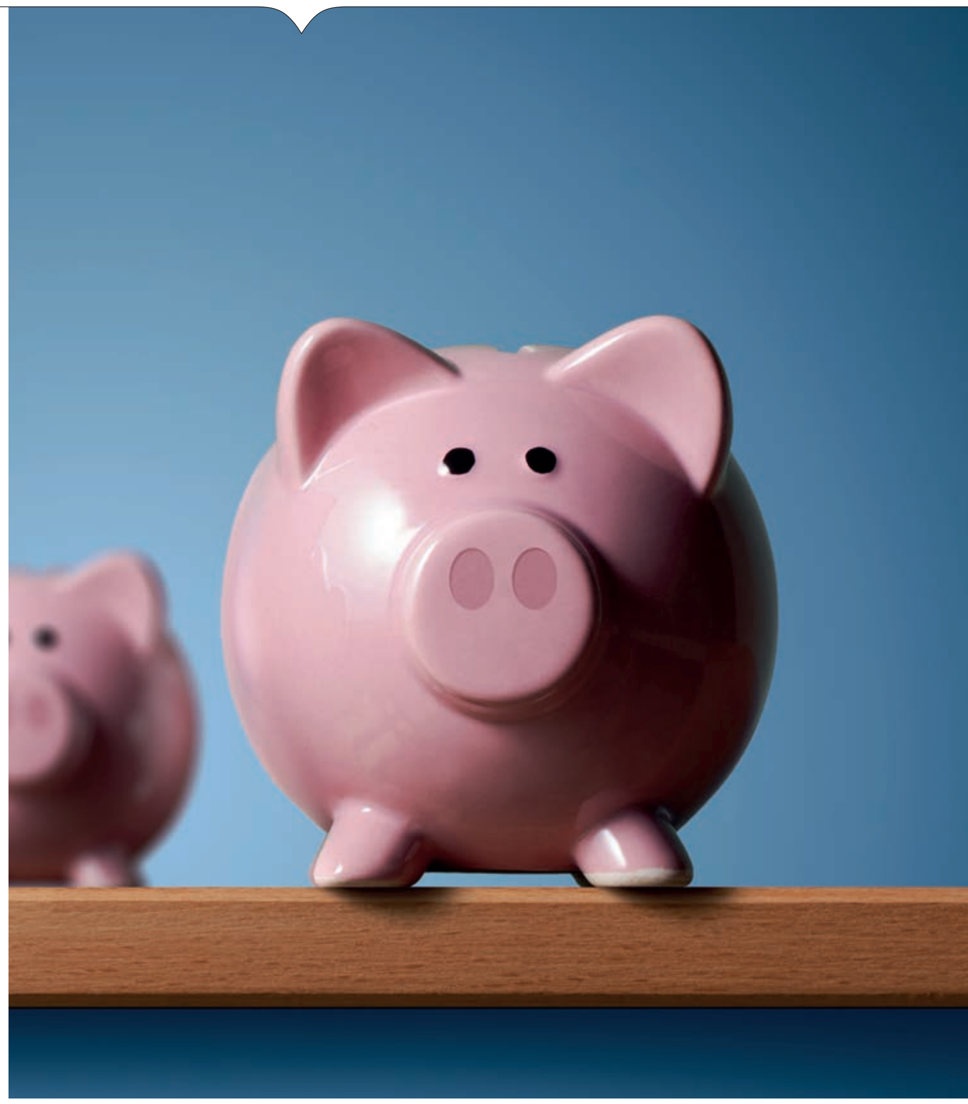
Eurazeo raises €80m for Smart City II Venture Fund

Eurazeo has reached a first close on its Smart City II Venture Fund at €80m. The fund will invest in energy, mobility proptech and logistics start-ups worldwide.

Eurazeo's Smart City Venture team invests into innovative digital companies that are transforming cities with a focus on sustainable energy.

The new fund's investor base includes existing partners of Smart City II Venture Fund, as well as new partners in Europe and Asia including: French, German and Asian groups (carmaker Stellantis, electric utilities EDF and Mainova, public transportation operator RATP, energy major Total, logistics champion Duisport and Thaï real estate developer Sansiri), institutional investors as PRO BTP and family offices. Eurazeo's previous fund, Smart City I Venture Fund, has already made nearly 25 investments across Europe, Asia and North America.

The success of both funds demonstrates the growing demand for digital companies that are supporting rapid transformations of cities for the benefit of residents.



Listed PE firms shift focus to management fees over carry

The five largest publicly traded PE firms have shifted their focus to management fees over performance fees to boost their overall earnings.

According to PitchBook, recent earnings reports from Apollo Global Management, Ares Management, Blackstone, The Carlyle Group and KKR indicate that these firms have been more focused than ever on management fees from their LPs.

All five firms posted YoY fee-related earnings (FRE) growth.

PitchBook's analyst note: "Analysis of Public PE Firm Earnings: Q4 2020" also found that perpetual capital vehicles have become a popular tool for helping firms boost their AUM and collect more management fees.

Furthermore, large insurance transactions have been particularly useful for Apollo and KKR.

In terms of fundraising, the five firms underwent a healthy fundraising year as LPs focused on large funds and existing relationships amidst uncertainty in the macroeconomy. In particular, KKR amassed more capital in 2020 than ever before, and Blackstone raised nearly $100bn without flagship funds in the market.

"FRE continues to be a driving factor in the public firms' actions. KKR adjusted its compensation formula to give shareholders better insight into the firm's FRE margins, highlighting how important this metric is to this cohort of public GPs. In terms of annual financials, four of the five firms managed to lift FRE as a proportion of their overall distributable earnings (DE)," a PitchBook analyst noted.

HUMATICA CORNER

Picking the right org effectiveness consultant – Don't hire a dentist to cut your hair

One of the consequences of more competitive deal markets and more money in private equity is the increased use of consultants – not only pre-deal during due diligence, but also post-deal, bringing-in expertise or manpower to accelerate performance improvements.

In general, private equity has a rigorous vetting approach to hiring specialist advisors for clearly scoped projects. To be engaged, a consultant must first get approval from the fund, and then by the company management. These hurdles are high. In addition, many mid-market buy-out managers have not previously used consultants, or if they did, they were one-man-bands, often without international experience. The price for quality can be a barrier. Also, unlike most corporates with consulting budgets, cash-conscious PE doesn't leave much for consultants. And, if so, every project needs to be justified on its stand-alone cash return. It's a harsh environment for consultants - but invigorating. Things happen.

Despite PE's rigor, we often see mistakes being made with regards to consultant selection – in particular for organisational effectiveness topics in the portfolio.

The big international blue-chip consultancies deliver deep industry experience, market and strategy competence, and the pedigree needed to give lenders confidence. They play a key role. However, their internal structures and management processes make general management consultants unsuitable for addressing organisational aspects, where real-world leadership experience is essential. In addition, they are constrained from addressing key leadership topics by not wanting to bite the hand that feeds them. General management consultants are clearly not fit-for-purpose for organisational topics.

Executive search firms are also frequently engaged to go beyond the search remit, and consult on broader organisational and cultural topics. This brings-up different challenges. They have an inherent conflict of interest with their core search, selection and placement businesses. At a minimum, this rightfully brings into question recommendations that have an impact on leadership in general, or specific leaders.

There are also a large number of soft-factor, culture and coaching consultants active in private equity. With their backgrounds in psychology and social sciences, they serve an essential purpose in helping to nudge leadership behaviour. But, they lack a deep understanding of the mechanics of strategy, business processes and value growth.

Each of these established consulting disciplines is a valuable specialisation. However, none of them brings the holistic understanding of management processes needed to drive organisational effectiveness (OE). For this reason, many tricky OE projects, like operating model redesign and implementation, often fail to deliver the desired results.

The right answer is to select a specialist consultant that has deep, line-management transformation expertise combined with blue-chip strategy experience. One which has a deep appreciation for the critical soft-factors, but is unencumbered by any potential conflicts-of-interest with leadership. Only then, will the sponsor and portfolio management get the needed objectivity, credibility and collaboration to ensure buy-in and accelerate organisational change.

humatica
ACTIVATE ORGANIZATIONS. DELIVER ALPHA

Family Fortune

Family succession investments and buyouts have become a crowning opportunity, attracting PE investments to the CEE region. While Covid uncertainty intensifies first generation founders' questions over what to do with their family business, it is also forcing major opportunities in disrupted markets.

Simon Thompson reports

Three decades after the collapse of communism set off an explosion of CEE entrepreneurialism, founder managers of what have become leading CEE businesses, are today planning how to best pass on the "family fortune". While succession buyouts and investments have long been among cornerstone investment strategies for CEE-focused PE firms, the Covid-19 pandemic's rapid digitisation of industries and complete upending of markets, are recasting them into even more illustrious PE investments.

A GOLDEN OPPORTUNITY

While companies weakened in the wake of Covid, and opportunities for market consolidation are widespread, Michał Kędzia partner at Enterprise Investors says they are even more acute in CEE countries where markets haven't been as long standing and a larger proportion of companies are founder led. "We are seeing more healthy companies deciding to take advantage of the situation, push the pedal to metal, to accelerate development and consolidate markets." To do it, they are looking for experienced partners that know how to acquire companies, enter into neighbouring countries and professionalise teams and founder-led businesses.

According to Krzysztof Kulig, senior partner at Innova Capital, Covid consolidation opportunities are bringing first generation companies to the table that weren't there before. "It is much easier for founders to accept financial investors that would take majority stakes, if it facilitates building a much larger pie." CEE- focused firms are also targeting investment into companies with capacity to bridle Covid-19's rapid and large scale digitalisation occurring in a spread of different industry sectors.

However, founders' increased interest in selling their businesses might be as much about hedging against its uncertainty, explains Gregor Piechowiak, managing partner at transaction advisory JP Weber, co founder of a global Eight International advisory. "Founders' readiness to sell now is much higher than it was before the pandemic. It has shown that things can happen in the market that are totally beyond their control. Many are looking to de-risk and take some of their money out."

GETTING IN WITH THE FAMILY

Family Business Institute (Instytut Biznesu Rodzinnego IBR) reveals just how big of an opportunity the lack of succession planning in the CEE is for PE investors. For instance, while 74 per cent of founders in Poland would like to hand over companies to the younger generation, only 8 per cent of second-generation successors are actually interested in taking over family businesses.

But, that doesn't mean succession deals are coming easy for PE firms looking to step in. In fact, without a longstanding corporate finance community like the rest of Europe, most firms have to depend largely on internal proprietary deal sourcing. "These are not first dates. We know these people for years before investing and we consistently chat with them over the years and observe how their companies are developing", Kędzia explains.

Succession buyouts can be also elongated and are often most effectively executed as an incremental play, claims Wojciech Jezierski, partner at Abris Capital Partners. A partnership with PE is usually a bridge to a full succession. Jezierski reveals that they often propose an acquisition of c.50 per cent, combined with a carefully drafted business professionalisation plan and a strategy to significantly increase the scale of business and finally a joint exit through a sale in 3-5 years time.

> **It makes them nervous from the outset. Founder sellers want certainty of what they are going to walk away with.**

ALL THAT GLITTERS

Instability of current market conditions might be bringing more founders to market, but this is also further complicating the success of CEE succession deals.

PE firms are increasingly turning to earn outs to hedge against the uncertainty of valuations and the unreliability of future cash flow modelling. Helen Rodwell, managing partner of law firm, CMS says earnout arrangements might be commonplace in the M&A world, but they are notoriously difficult to negotiate with first generation founders, especially in the CEE.

"It makes them nervous from the outset. Founder sellers want certainty of what they are going to walk away with," Rodwell says. Earnouts can also present a major upside for founders, if agreed targets are exceeded, but Rodwell maintains that that is of marginal comfort or value for this generation of CEE founders. "The profile of someone who is 65-70 years old, who is selling the family business from that generation; they want certainty and to be rewarded for building up their prize asset of their life. Earnout negotiations tend not to go down very well."

Whether or not first generation succession deals get over the line, or not, often comes down to the performance of the corporate finance advisors on the sell side. "You need an advisor who can hedge or bridge the gap between a successful entrepreneur and the PE world. Someone who can explain the legal construct, and market standard provisions of the M&A world, demystify, and provide simple explanation and comfort on the standard contract provisions," Rodwell suggests.

GROWING UP

While the CEE includes Romania and Bulgaria, Marek Malík, partner at Jet Investment argues that more significant market maturation and sophistication in the Visegrád countries (Czech Republic, Poland and Slovakia) have put them in a separate class when it comes entrepreneurialism, industry and investment opportunities.

"These nations are accessing the EU standards and Western European standards quite quickly and they are economically closer to Germany and Austria." Malík adds that that internationalisation is increasingly becoming a key value driver of the succession opportunities Jet Investment is pursuing in these countries. The CEE abbreviation might be becoming a greater symbol of a shared communist past than any modern regional economic parity.

Moreover, advancing beyond the first generation of successions, many of the CEE founders and oligarchs that have sold off the family jewels are returning to the M&A market as investors. Many are starting their own family offices.

Rodwell says she often sees family offices competing on deals against PE firms. While CEE founders were skeptical of PE in the past, PE's credibility and rapport has come a long way over the last 10 years. Compared with counterparts in the rest of Europe, GPs are finding that CEE founders place an even higher priority on sale/cash value than any other, mitigating legacy issues or concerns over how the company will be managed once they have exited.

The quantity of Covid-enhanced opportunities simultaneously unfolding in the CEE is a golden opportunity for PE to fortify itself as the go to capital source for succession exits in the region. While the first generation of business successions are often the most difficult to put in place, those taking place have the potential to set PE in stone as the standard for family succession exits, for generations to come. ●

GP WORKSHOP

How to successfully prepare a business for IPO

As IPO activity spikes, Manish Madhvani, managing partner at GP Bullhound, and Tomasz Ciborowski, partner at Enterprise Investors, discuss how to plan and execute a successful IPO process.

Manish Madhvani, managing partner, GP Bullhound

We deal in technology and there has been a huge wave of flotations recently. While each company is different, there are a number of key strategies we've seen work very well for these companies.

Acquisition growth

A large part of the growth strategy leading up to the IPO has been acquisitions and often that is through cash and equity. This means when companies list, it gives them a much more tradeable currency to attract many more potential companies. As a result, what we tend to see is that these companies have lined up a number of acquisitions and the floatation allowed them to execute on that much faster than they have been doing when they were a private company. This is one of the key growth strategies we see being executed really well by a lot of the tech companies.

Creating a buzz

We work with a lot of consumer brands like Spotify and Farfetch, and part of their growth strategy when floating is to use it as a PR initiative to create a lot of press coverage that can then be used to drive into new territories and realise gains. For example, when Farfetch was floating, they then started to raise a lot of money from Asian investors and that allowed them to drive really hard into Asia, and that's been one of the biggest markets for them. They often use this as an opportunity to bring on some really heavyweight industry people who have been very successful with other companies and can bring on a wealth of experience; this helps them drive into new sectors and products.

Warren Buffet, for example, invested a huge amount into Snowflake, which generated a huge following and created a big buzz for the company. This is why it's so important for businesses to work out their announcements for the next three of four quarters before going public, so they can maintain that momentum.

Long-term vision

A mistake we often see is that some tech companies struggle to maintain a long-term perspective after they float. These companies are used to burning a lot of cash to invest heavily in new products and expanding into new markets, but when they make the shift to the public market, they have to adapt to quarterly reports. We see a lot of companies react to quarterly numbers and the temptation to let this dictate plans can seriously harm growth and innovation. What makes a fantastic tech company is being a visionary and we've seen some tech companies fail to keep that long-term horizon because they are too focused on numbers, because public markets want to see quarterly numbers.

Tomasz Ciborowski, partner, Enterprise Investors

A successful IPO needs a compelling equity story that will attract many investors and make them want to own shares in the company being sold. When we exited Dino, which at that time was a regional food retailer little known to investors, we positioned it as the best candidate to expand its chain across the whole of Poland.

Building a credible equity story

We changed Dino's stores to the convenience supermarket format and differentiated them from hypermarkets and food discounters. The new format had a narrower product offering the big box stores, yet one that was broad enough to meet most customers' needs. What is more is it required a smaller catchment area than food discounters, which typically have twice as much retail space as convenience supermarkets. All this made Dino the perfect candidate to grow in small and mid-sized towns and villages, a market segment that had not yet been penetrated by any other food retailer. The positioning was supported by some solid KPIs, like the number of new stores to be opened in the coming years and profitability improvement, which illustrated the growth potential.

We achieved a 7.6x money return on our investment in Dino when we floated it in 2017, and since then its stock price has soared, increasing sevenfold. This demonstrates that the growth potential presented during the IPO was no mere promise, for Dino has exceeded it handsomely. At the IPO, Dino was valued without a discount to its peers, while now, after a few years of systematically delivering the promised results, it is one of the most expensive food retailers in the world. From the perspective of a firm that has a track record of 35 flotations on NYC, Nasdaq, WSE and other stock exchanges in CEE countries, I can confirm that building an attractive and credible equity story is critical for a successful IPO.

The right team

GPs should look to recruit an IR manager with a strong background ahead of an IPO. This person should participate in pilot fishing and roadshow meetings and will be the first contact for investors after the flotation. Good access to a listed company helps equity analysts and fund managers get a better sense of what is going on, regardless of whether the news issued by the company is positive or negative. Companies with a strong IR function are typically valued higher. A successful IPO also requires careful selection of joint bookrunners. You need a good mix of banks with equity analysts who understand the sector in which a given company operates, as well as banks with good access to the investors' universe. These two do not always go hand in hand.

QUOTES:

When we work with companies to IPO we will start preparing at least a year ahead. All the way through this strategy, you need to be able to keep investors informed of it and make sure that the management team is there to deliver it. The better you do that, the better the share price and valuation you will achieve. You will probably see a few new faces around the board too and they will be key in the company's strategy so they need to be brought into the loop early on and not left to the end. Going through an IPO is a huge change for its staff, you are suddenly very visible on the stock market and it can feel like a new world, so it's important that the strategy is communicated throughout the whole business.

NEIL MITCHELL
partner, Rickitt Mitchell

At the heart of any successful post-IPO growth strategy is making sure you have the correct management structure in place. You might want to hire an M&A director if you want to do acquisitions or you may need more central management because the CEO and CFO are going to have to do more work on the public front and spend more time managing their investor base. It often surprises people how much time is taken away from the business once you go public so getting your board structure right is key. We see a lot of companies leave it to the last minute and don't bring the right people on board because it's not seen as a priority. But the world isn't linear and it's not perfect and sometimes you find there's an opportunity to IPO and companies move quite quickly. Therefore, we encourage clients to start thinking about who they want on their board at least nine months before the IPO.

PHIL ADAMS
CEO, GCA Altium

Q&A

ABRIS CAPITAL

Pawel Gierynski, managing partner at Abris Capital Partners, reveals how the firm maintained deal activity in 2020, attractive sectors in CEE and the firm's decarbonisation ambitions.

By *Sam Birchall*

Despite the pandemic, Abris completed two new investments last year. How did these opportunities come about?
Despite the uncertainty of the pandemic, 2020 was a very successful year for Abris. Of course, the beginning was difficult because no one knew what would happen next with the pandemic.

However, we were able to successfully acquire two new businesses during this period and we are very happy about it. The first investment was in a company called Apaczka, a technical platform that provides logistics services for e-commerce players. Clearly the e-commerce industry has exploded since the pandemic, but another crucial element at play here is the impulse for technological change. We were able to secure exclusivity at a very early stage, which gave us the time to build an ambitious business plan with the founder and management.

The second investment was in Scanmed, the largest healthcare network operator in Poland. We are seeing many healthcare businesses coming of age in Central Europe and we've been looking for potential targets in this space for some time as a way to consolidate the market. There has been a huge shift in consumer awareness around health in Central Europe and this has created opportunities in the sector. What's more, healthcare themes are broadly present in sustainable global trends and the UN SDGs, which are part of the foundation of our strategy to invest responsibly.

Abris also exited Cargounit last year. How did you find this exit process in the uncertain economic environment?
It's an interesting question. We were asking ourselves for some time if it was the right decision to sell during the pandemic.

Cargounit is the largest provider of locomotives in Poland. When we first invested, it was very small, but we were quickly able to consolidate the market to become a dominant player. In this time, we transformed the business from being a provider of assets to being a provider of solutions. The business became an infrastructure business with long-term contracts, providing the owners with long-term cash flows. We came to the view that on one hand it is a complicated business, but on the other hand, if we provide a well-structured due diligence package, most potential buyers would feel comfortable making an offer.

The sale process was much more competitive than we expected. If anything, that really surprised us. We were also impressed with how disciplined and professional all the bidders were, despite the very challenging environment. Because of that we were able to run on a tight timetable and complete the transaction quickly.

What is the investment appetite like in CEE right now?
Now is a fantastic time to be investing in Central Europe. It's not just the number of opportunities that are increasing, but the quality of the businesses too. The majority of these opportunities continue to come from local entrepreneurs who started their businesses some time after the Iron Curtain fell, have built them to a good size and are now looking to sell.

Trade buyers, who are very acquisitive in the region, often have trouble understanding these businesses because they were not built to be sold. Quite often they are run by a charismatic founder, but they don't have professional management or clear reporting and controls in place. At Abris, we have the advantage of a local presence and a deep familiarity with local markets so we are able to identify interesting businesses that founders want to sell and help to professionalise them so that they can then be sold to trade buyers four or five years later.

What sectors is Abris looking at, and have these areas evolved or changed since the pandemic?
We've been actively involved in a number of transactions in food manufacturing. This is an area that is experiencing rapid change, so we anticipate there will be some interesting opportunities here. Another exciting

sector for us is recycling. This theme of wanting to live on a better planet is drastically changing local economies. We run a Romanian company, Green Group, that is the largest recycling company in Europe. Benefiting from the global trends of circular economy, this is a dynamically changing and fast-growing market, and we are deepening our involvement in this area.

Lastly, while we have always been interested in logistics, we have recently refocused our attention on the technological side of this industry. We are seeing a number of very interesting Central European tech companies that are quickly becoming global.

In addition, our portfolio companies require a depth of understanding on the tech side that they have not had in the past, so for this reason we hired a technology director last year, which will allow us to operate effectively in this area. This approach results from our philosophy of building portfolio value through improving access to professional know-how and best practice.

In CEE, Poland was the standout market in terms of deal numbers and values last year. What is it about Poland that is attractive?
Size is important and with a market as large as Poland, for some businesses you don't have to become internationally competitive early on.

If you are running a business in a smaller market, you must expand overseas almost immediately because there will not be enough customers in your domestic market. At that point you are then faced with much stronger competition from regional businesses that are doing exactly the same thing.

Operating in a larger market like Poland gives you a safety net for expanding locally and developing the muscle needed before international expansion. This is certainly an advantage that Polish businesses have. Poland, as well as most of the region, is also very entrepreneurial and a visible drive to build and run business is generating hundreds of new companies every year. With easy access to professional resources, consulting and financial services, as well as generally high standard of business infrastructure, these companies are maturing much faster and their owners are more willing to partner with financial investors to accelerate this growth.

What are the firm's priorities and goals for the rest of 2021 and beyond?
At Abris, we see ourselves as a navigator. We guide businesses and entrepreneurs towards success, discover opportunities for our investors and act as an expert within the wide ecosystem we operate in. One of our key priorities this year is further developing our ESG practice. We are now very seriously preparing all of our portfolio companies for the decarbonisation process and we want to achieve a net-zero portfolio balancing model by 2025, making us the first private equity house in the region to commit to this goal. Also, it is not just about putting policies in place, it is about measuring our actions, so we can demonstrate that change is taking place. As part of this initiative, we launched our proprietary ESG Scoring Application in 2020, which includes more than 500 inputs that evaluate specific risks and help measure value created within each portfolio company.

COMMENT

Central and Eastern Europe – overlooked opportunities for private equity investors?

EY Luxembourg associate partner, private equity, Anca Lungu-Negoita explores the advantages and disadvantages of investing in CEE, as well as the region's road to recovery from the Covid-19 pandemic.

Looking back at the past 30 years of post-communist growth, we can safely say that the countries in Central and Eastern Europe (CEE) had offered the world a wide range of opportunities and challenges: they have passed through several waves of legal, regulatory and judicial reforms, they have discovered the controversial freedom of privatization and capitalism in a relatively short period of time, and most of them have succeeded to achieve EU integration. As CEE continues its economic integration, the region's advantages will contribute to its increased attractiveness for investors.

CEE at a glance

In 2019, private equity investments in the region reached its second highest annual result in value at €2.95bn, funding a record of 464 companies. However, this represents only 3.1 per cent of the European total, similar to prior years.

Poland is taking by far the lead for PE investments, followed by Romania, Estonia, Czech Republic and Hungary. 93 per cent of investments at value are generated by 4 sectors: Information and communication technology (ICT), financial services, consumer goods and services and business products and services.

Overall, the investment activity in CEE over the years has been dominated by funds established specifically for the CEE region together with local family offices.

Time for another look

Although the region has seen a lot of growth in PE-backed companies, it still remains underfunded, as investment levels are not sufficient to maintain the size of the capital stock relative to the GDP and too low compared to a long-term macroeconomic equilibrium.

So why is the region still under the radar of large Western fund managers? The pivotal changes post-1989 continue to reverberate into the present, still offering a picture of economic and political instability to a lower or higher degree, depending on the country. Furthermore, many Western PE houses still lack the required local expertise that understand the difference in culture and the specificity of the local market and have not built a network to access the deals. Large PE players are also not encouraged by the lower number of quality deals fitting the investment profile and the lower value of investment.

The mix of advantages that CEE provides can overcome the above-mentioned downsides. The four main advantages are:

Lower cost: CEE traditionally requires less spend to deliver products and services, consequently providing a low entry cost for General Partners (GPs). Part of the reason is a majority of their deals are purchases from the original business founders. Secondly, the market is not mature enough to offer the same level of competitiveness as the Western region.

Scalability and growth: GPs and LPs active in CEE confirm that the region's comparative advantages mean CEE can continue to deliver attractive returns: economic growth through continued convergence, maturing entrepreneurs willing to sell their companies, seasoned GPs with strong in-region local experience, relatively low reliance on debt for return generation.

Unicorns: More than 10 unicorns have emerged out of CEE, with a combined value of €30bn. Flagship successes like TransferWise and Allegro create a precedent for certain countries, reassuring investors, paving a way for other projects and importantly, inspiring other local founders.

A winning portfolio offer: ICT and financial services are already leading industry categories. Talent is abundant: there are about one million CEE developers, 50 per cent of whom are concentrated in Poland, Romania and the Czech Republic. In addition, the green initiatives have further developed in the region with Poland in the lead.

Has Covid-19 changed the direction of growth?

The Covid-19 pandemic is taking a sizeable toll on the outlook for CEE. The region is expected to contract by close to 5.5 per cent in 2020, according to IMF, erasing almost three years of economic progress. With the virus comeback during the end of 2020, CEE is likely to delay its recovery by mid to end 2021.

However, investors still have reasons to keep their confidence in the market, mainly because the Covid-19 related financial crisis is expected to create a buyer's market. CEE will still offer plenty of opportunities for fund managers from their already well-developed industries that have proven resilient during Covid-19 and will continue to be engines of growth for the future of the region.

The rise of ESG policies has only begun in the region, but it will be a key differentiating factor between long-term winners and losers. To support the recovery and improve living standards, CEE countries could consider spending more on infrastructure, green initiatives, health and social investments and digital connectivity. This will increase the confidence not only of potential investors but also of the necessary talent pool to sustain the entrepreneurial environment.

Convergence with Europe's culture, regulatory and governance environment will be a driving force for growth, but CEE should be careful in holding onto its legacy and keeping its best competitive advantage.

While the progress might not be linear, the maturity of the market continues to increase and now might be the right time to jump onboard.

Q&A

ENTERPRISE INVESTORS

Enterprise Investors' chairman and president Jacek Siwicki discusses the rise in expansion financing, the impact of the Warsaw Stock Exchange's recent revival and dealmaking in CEE.

By *Talya Misiri*

Private equity firms across the CEE region and globally reassessed their portfolios when the pandemic hit. How did you assess your private equity portfolio?
We initially reacted the same as everyone else and experienced shock in mid-March when the lockdowns started. For the first month or two, we focused on assessing what problems our portfolio was going to face and whether the businesses would survive. But all in all, when we look back at 2020, half of our ten portfolio companies exceeded 2019 results, their Ebitda grew from between 10%–20% to up to 50% in some cases. The remaining companies, which have a more consumer facing and retail profile, suffered because of the pandemic. But all of them have a sound financial standing and we did not have to inject any additional equity financing.

We managed to extend some credit lines and improve working capital management, and as of May, it has been more or less smooth sailing in all ten companies. Since then, we have also managed some travel. I visited Croatia twice, as well as France and Italy, to assist our portfolio companies. So for us, the last six months have been business as usual and there have been no major shocks for the portfolio either.

In 2020, Enterprise Investors increased its stake in two of its portfolio companies. What companies were these and what led to the increased holding?
Both were follow-on investments in existing portfolio companies. One is a bakery producer and retailer in Croatia from our PEF VII fund, and the other – from PEF VIII – is a Polish fuel importer and operator of the country's largest independent network of gas stations. Both were transactions driven by the owners' lifestyle changes.

In the case of the bakery business, we bought a 65% stake in the company three years ago. A year later, the founder stepped down from his role of CEO and became a non-executive board member. After another year and a half, he decided to quasi-retire with cash from the buyout.

As for the fuel business, we had a large minority stake. The founder had hoped for a family succession, but two years after our initial investment he realised the family were not prepared to take over the business, so he decided to sell another large stake. We then took control and the founder moved to a non-executive role, and remained involved in overseeing the business with us.

In terms of our involvement with the businesses, I don't think much has changed other than the shift in focus from the founder to us at EI as the largest shareholder.

EI also completed a handful of exits last year. What is the market environment like for exits and have any of your exit plans been delayed due to the pandemic?
We were quite lucky last year, because the total value of exits in 2020 was higher than in 2019 and 2018. This is purely coincidental and the figure for last year will definitely be higher than this year, as we'll probably complete just one exit in 2021 as opposed to one partial and three full exits last year.

I would not say that the exit environment has changed substantially in the CEE region. However, one interesting development in Warsaw, Poland, is related to the stock market, which picked up in the second half of the year. We saw the flagship floatation of Allegro, the private equity–backed business that went public, and then at the end of last year/early 2021 Advent took InPost public in Amsterdam. These transactions caused a paradigm shift on the Warsaw Stock Exchange, as both were very large, at a couple of billion euros each, and substantially oversubscribed.

The two deals attracted a lot of attention, also from foreign investors. Polish financial institutions were relatively minor players. These IPOs were followed by a couple of flotations of smaller companies, which is a new market trend.

In contrast, we are going against the current. Instead of floating, which we have done almost every year, in

2020 we completed a public to private transaction and are currently delisting a company in which we own a large majority stake.

What other developments have you seen in private equity in CEE?
Another interesting phenomenon that we've seen in the last year or so is rapidly rising interest in expansion financing. PEF VIII, which is a 2017 vintage, has six portfolio companies and every transaction has a growth capital component.

In PEF VII (vintage of 2012/13), by contrast, only a third were expansion and two thirds were buyouts. So people are now much more keen to look for equity growth financing in addition to buyouts.

This change has been driven to some extent by the fact that the companies which were performing well are performing even better, so they want additional fuel to finance their expansion, while founders are thinking about selling out. Growing businesses are also looking to take money to fund buy and builds.

What about the CEE investment market today? Are deals being done in the region? And how comfortable are dealmakers with completing deals virtually?
We travelled throughout 2020, so none of our deals was closed completely virtually. In all of them, we initially had two or three video conferences remotely and were then invited by the founders to visit the company (in line with social distancing rules, of course). On the sellers' side, it seems that even though we cannot shake hands, they are keen to meet in person and discuss the deal directly.

We keep meeting people who are considering selling out, but for now these are binary cases – we'll either conclude the transactions or the founders will change their mind, in which case we will keep in touch and come back later. So it can be very hard to predict how much money we will deploy in any given year. And now, things are definitely taking longer than we'd like when it comes to securing transactions. That's why I'm glad about the growing interest in expansion financing, because it gives us slightly greater certainty that a transaction is likely to happen.

I'm less happy with the stock market's rebound, because for the last few years people thought that taking a company public in Warsaw was not really an option, especially if you had a smaller business. Now it looks like you can try to do it and the valuation multiples are exciting enough to make people scratch their heads and think twice.

What are EI's goals and priorities for the year ahead?
We expect to complete one exit. We are in the process of selling our alternative energy company, which develops wind and photovoltaic farms in Poland, and we have already shortlisted bidders for this, so we hope to complete this transaction in the next two months. This should be the only exit this year, as none of the other portfolio companies are ripe enough just yet.

In addition, the deal teams are active and new relationships are slowly brewing. I hope we can deploy somewhere between €50m and €100m of equity in the course of 2021, but this is mostly in the hands of God and the entrepreneurs!

Q&A

INNOVA CAPITAL

Innova Capital's senior partners Andrzej Bartos, Krzysztof Kulig and Leszek Muzyczyszyn speak with Real Deals about the firm's recently concluded succession process, the continued economic health of the CEE region and key deals from the past year.

By *Talya Misiri*

Innova Capital had a very successful and busy year in 2020, despite the global pandemic. What was the secret to your success?

Krzysztof Kulig: 2020 was a really strange year for all of us, but contrary to what was happening in general, it was quite a successful year for Innova Capital. We completed three exits from Innova/5 and we also completed three new transactions. We cannot forget that private equity is a business that rewards continuity, so a lot of work we finalised in 2020 was a result of our efforts and work in 2019 and many years before that, especially when it comes to making companies ready for exits.

All three businesses that we exited had been in our portfolio for four to five years and we had done an enormous amount of work to improve the Ebitda of each. It was very rewarding for us that these companies were able to complete successful exits in 2020, despite the fact that there was so much uncertainty globally and in the M&A market.

Andrzej Bartos: Looking at our portfolio overall, before governments started introducing formal lockdowns, we had already instructed all of our companies to put together contingency plans, introduce weekly reporting of both actions and performance, and as a result, by the summer, our portfolio companies were fairly stable. The quick reaction of Innova, combined with the quality of the management teams, were critical factors to ensure that despite these challenging times, we were able to achieve the majority of our portfolio objectives for last year.

The three exit transactions that we signed were in building materials, logistics and the financial services/fintech sector. The first two sectors could be viewed as cyclical in nature, but in reality, our companies managed to face market challenges well thanks to the strength of their business models and also an excellent response by their management teams.

What types of deals did Innova enter into in 2020? And, is there an investment that you were most proud of?

Leszek Muzyczyszyn: I think we're immensely proud of all of them. We are quite careful about how we construct our portfolio and, for us, diversification is very important. As mentioned, our portfolio has withstood the crisis quite well and this was in large part possible because it has been well-diversified.

The three recent deals complemented the existing portfolio diversification even further, in that they're all very different. One of the three, Bielenda Cosmetics, was in the consumer goods sector in skincare cosmetics. This was a consolidation play coupled with a founder succession, which is a signature transaction type for us in Poland. It is a typical example of a family-owned business that has very successfully gone through 30 years to the point where the founders were ready to expand and consolidate the sector, and to share the business with us as partners. As part of the transaction, we also funded the acquisition of another complementary business to add on to Bielenda, to build in some early synergies.

Bartos: Another of the three investments was in a company called STX Next, which is a next generation software house, exporting IT contractors to the US and UK. Its operating model was not challenged by Covid, and after a slowdown in the spring, the business still managed to conclude the year with robust growth and strong prospects for the year ahead. This transaction is another founder succession deal and, in this case, we bought a significant majority stake, with the founder retaining minority equity and continuing in his role as a CEO.

Kulig: The final business of the three is from the transaction processing/fintech sector. We wanted to remain investors in this sector following the successes of our previous deals. The deal was for a company based in Romania, which offers services to merchants connected to different types of cash and electronic payments. Looking forward, we want to build a larger scale business focused on small merchants. This transaction is awaiting AMO approvals and will hopefully be completed by the end of March 2021.

Bartos: The strategy that we've had over the last five years has proven to be the right one, and we will continue with the two main pillars of our business: founder succession and consolidation, and industry sector specialisation. All three deals that we did in 2020 were in sectors where we had a lot of earlier experience. We have completed six deals in the electronic payments space and several in technology and consumer goods in previous years. These are the sectors that we know extremely well and it gave us a lot of confidence in deal making. Especially in times of uncertainty, our objective was to do what we are best at, and this was achieved through continuing with the types of transactions and sectors that we have a lot of experience in.

While we are still in uncertain times, how will you manage/navigate fundraising going forward?

Kulig: We have almost completely deployed our sixth fund, so we will have to start fundraising soon for our seventh fund. It's hard to say how the fundraising process is going to play out. It's definitely going to be a new experience, with less travel and more online meetings, and at this point, we don't know how efficient that will be. On the one hand, it can be much harder to sell your fund when you're not physically in front of the investors, but on the other hand, it could be more efficient as you can save time on travel and have more meetings.

The last stage of Innova's succession took place in 2020. What changed at Innova after the succession? Can you tell us more about this process?

Kulig: 2020 was also very significant for us as we completed the loop of succession within our business. It's been a very well-planned process; we started in 2006, when we first had meetings to discuss how to make sure that Innova would survive as a franchise beyond the original founders and how it will continue to exceed the three of us.

It was a gradual process and it meant that the Polish partners initially had 50 per cent of the business and the founders were gradually increasing our stake and involvement in the company. We actually started running the business operationally much earlier than in 2020. The original founders haven't done deals for around 10 years. The year 2020 was the completion year, where the remaining stakes of the founders were transferred to the three of us, giving us 100 per cent ownership of the company. Both founders have remained on the investment committee, because we believe that we should maintain the benefit of their experience and insights; but 2020 was the year of the finalisation of the agreement.

Muzyczyszyn: It's a process that's never quite over because we want to have an evergreen structure, so sometime down the road, I'm sure that the next generation will start knocking on our doors to make room for themselves. Credit goes to the initial architects of this structure who enabled the rolling ownership adjustment process.

Kulig: The succession point has been quite a challenge for many GPs and lots of firms do not survive that. We are one of the very few in Central Europe that successfully underwent this process, and there are still some firms that have it ahead of them.

Ultimately, you can deal with the succession challenge in two ways – you can start dealing with it proactively or you don't do anything. Where firms are scared to act, they still have the founders owning the economics of the firm, while they no longer hold critical roles for the business. Our succession structure has meant that the carry and the economic interest in the GP lies with the people who actually work in the company every day.

Muzyczyszyn: This strategy is also supplemented by the belief we have that it's better to hire people into the organisation at mid-level and then help them grow within the firm. This builds cohesion, coherence, shared values and perspectives. Over time, all of this makes the succession much more manageable, as there isn't much concern about an unexpected clash of values, or fundamental views, later on.

How does the PE sector in the CEE region differ from the rest of Europe?

Bartos: There are a number of features that distinguish CEE from other regions. Firstly, our economies have continuously enjoyed premium growth and across the cycle, regional GDP has exceeded "old" Europe's GDP growth. Moreover, over the last 15 years, the region has more than trebled its GDP, which is an outstanding result. So, while we are not growing as fast as some of the more exotic emerging markets, we definitely enjoy premium growth versus Europe overall.

The second feature is that this market is much less penetrated by private equity, with fewer players, meaning that we are still able to buy good companies in non-competitive processes. In fact, if you look at our Innova/6 portfolio, none of the businesses were acquired via a direct competitive auction process. Many of our transactions achieved exclusivity from the get go and this can usually lead to reasonable pricing.

The third reason why we're very optimistic about private equity in the CEE is because this region is extremely well positioned to take advantage of the growth in digitalisation. We have a very well-educated workforce, we have relatively modern digital infrastructure, as it was built relatively late compared to other markets, so we have been able to leapfrog a stage or two in digital development. For example, in payments, CEE moved straight from cash to digital payments, completely bypassing paper cheques, which were omnipresent in Western Europe for many years.

Where are significant areas of growth and markets to watch this year? What is your perspective on prospects in Poland and beyond?

Muzyczyszyn: For some time now, we have held the belief that purchasing power is going to go up in the region as consumers continue to get richer. This has driven a number of sectors and business models that are ultimately underpinned by the purchasing power of households. Growth in consumer goods and services is an obvious direct effect, but this has also contributed to e-commerce, to explosive growth in payments, etc. Additionally, in terms of consumer services, there has been the adoption of new consumer behaviours. Consumers have started looking into healthcare much more, focusing increasingly on things like education and professional services, as well as leisure. This has all been driven by the one fundamental underlying factor – growth in purchasing power – which should continue for years to come.

Bartos: In the industrial sector, growth has mainly been driven by exports. After initially catching up with local demand, many companies now also focus mostly on export markets, taking advantage of comparable technological competences with more attractive labour costs. At the same time, a very well-educated workforce has enabled CEE companies to compete on Western European markets.

Finally, what are Innova's goals for the year and going forward?

Kulig: A priority for us this year and next year will be fundraising for Innova/7. We will also spend a lot of time on our existing portfolio of eight companies and we plan to add at least another two new investments to Innova/6. This will be our main focus for at least the next two years.

We plan to continue our focus on ESG, which has been a very important area for us – we always seek to align our practices and portfolio processes to best reflect our firm's values. We believe this will also be an important factor by which LPs will evaluate GPs. We strive to be "thought and action leaders" in ESG in our region. ●

Q&A

MID EUROPA PARTNERS

Mid Europa Partners' partner and CEO Robert Knorr discusses CEE's convergence towards Western Europe and successful dealmaking in the region over the last year.

By *Talya Misiri*

The CEE deal landscape has continued to thrive, even with the turbulence in the macroeconomy last year, why is this? How did it continue to operate successfully?

While some sectors have thrived, others have found it more difficult. For example, in e-commerce and logistics, most companies have managed to achieve significant organic growth because of the acceleration of the offline to online shift caused by the pandemic. Conversely, sectors relying on customer footfall, and face to face interaction have been negatively impacted, due to the continued restrictions being imposed by the governments and a certain reluctance by consumers to venture outside of their homes. This is more visible in sectors not categorised as providing 'essential services'.

For some companies, presented with a difficult environment to achieve organic growth, their response has been an increased reliance on M&A to achieve growth plans. The number of growing companies of sufficient scale to attract PE interest is increasing in CEE, while other companies and their owners turn to private equity for support to weather the impacts of the crisis or as a way to monetise their business interests.

In respect of Mid Europa, we were within the "right" sectors. Our portfolio across our active funds is invested in four main segments: food retail and production, services, healthcare and tech. We were, therefore, able to weather the storm well throughout the pandemic, and have seen strong growth, particularly in our healthcare and e-commerce driven investments.

What challenges did you face in deal making during the pandemic? And, how has this changed the way you operate as a private equity firm? What practices have you maintained?

In the initial months of the pandemic, we worked to rapidly address issues around the switch to working from home, impact on travel and more broadly, the economic effects of the pandemic on various sectors. We saw relatively early that the pandemic will serve to accelerate several existing trends, such as online shift and digitalisation, as well as to accelerate the disruption of certain legacy industries. As a result, our first objective was to develop an understanding of the magnitude and duration of dislocations across different sectors. In addition, our operating team worked closely with the management teams of our portfolio companies to understand both the potential opportunities, as well as the challenges that the pandemic brought.

In terms of deal making, Mid Europa has developed and maintained a strong local presence within the target countries, limiting the impact of restrictions on international travel. As a result of this, and a relatively seamless switch to remote/virtual working, our portfolio management and origination activities were not significantly affected. While we saw deal activity drop in H1 because of the uncertainty at the time, we did see a reversal in Q3, despite ongoing restrictions of varying levels. Travel and meetings continued to be challenging, but given our local presence, we were able to maintain meaningful connectivity with our counterparties.

As a result, we announced two new investments: Displate, a leading online global marketplace for artwork, and Sage Poland, a leader in ERP software in Poland. In addition, in October 2020, alongside our consortium partners, Cinven and Permira, we successfully listed Allegro, a global top ten e-commerce player and the leading and most recognised internet brand in Poland. The transaction, completed almost entirely virtually, represents the largest initial public offering on the Warsaw Stock Exchange to date.

What sectors are most attractive for dealmakers in CEE now? How has this evolved?

We have seen e-commerce experience a significant boost due to consumers shopping from the safety of their homes during lockdown, and as a result, sectors such as logistics and technology have also prospered in this environment. These sectors were already attractive and growing, but the effect has been accelerated by the crisis. Mid Europa consistently focuses on its core sectors: consumer & retail, healthcare, business services and technology. The more traditional sectors are seeing an increased level of digitisation, while all our sectors continue to see significant levels of deal activity and the outlook remains strong.

In terms of the private equity landscape, how does CEE compare to the rest of Europe?

CEE continues its path of convergence towards Western Europe, with growing wealth and disposable incomes, the professionalisation of governance structures and company management, and consolidation of fragmented markets. The region continues to benefit from the lower-cost yet highly skilled workforce. Private equity brings enormous investment into the region, with €19bn invested into CEE companies between 2010 and 2019 (according to Invest Europe).

This said, CEE still represents a very small percentage of investment activity in Europe, demonstrating further opportunity for growth.

With regards to the Covid-19 pandemic, both Western Europe and Central Eastern Europe experienced a significantly worse "Second Wave" of Covid, but given the strong macro fundamentals of the CEE region, including low levels of public debt and resilient economies, we expect to see uninterrupted convergence trends with more developed markets.

Analysis

GP-LEDS SURGE DESPITE WIDER SECONDARIES SLOWDOWN

Secondaries deal flow saw predictable declines through the pandemic period, but GP-led restructurings continued to account for an ever larger proportion of activity and fundraising has continued apace.

By Nicholas Neveling

The last 12 months have been unsurprisingly challenging for the secondaries industry, with Covid-19 dislocation bringing the market to an almost complete standstill.

According to Greenhill & Co, the boutique investment bank, overall secondaries deal value dropped by almost a third (32 per cent) in 2020, falling from $88bn in 2019 to $60bn.

The decline in activity was heavily concentrated in spring, when stock markets and private equity portfolio company net asset values (NAV) fell. As lockdowns first came into force and the S&P 500 shed as much as 35 per cent at one point, there were knock-on effects on private equity NAVs, which fell to 80 per cent of par across the market, according to Greenhill analysis. The volatile backdrop saw secondaries deal value come in at only $18bn in H1 2020, less than half the $46bn posted over the prior six month period.

Signs of recovery...

From the summer onwards, as secondaries dealmakers adjusted to remote working and stock markets, deal activity rebounded strongly, boding well for a better year in 2021.

H2 2020 secondaries deal value came in at $42bn according to Greenhill, only 9 per cent down on figures for H2 2019. Pricing has also improved since the summer, with the average high bid across all strategies in 2020 coming in at 87 per cent, only one per cent lower than 2019 averages. It is hoped that this momentum will carry into this year.

A record year for secondaries fundraising despite Covid dislocation will provide another spur for a pick-up in deal flow.

According to Secondaries Investor, secondaries fundraising totalled $59.7bn during the first nine months of 2020, which already exceed all prior full-year totals.

A number of secondaries managers were able to close large secondaries war chests in excess of $10bn.

In January, Lexington Partners closed its ninth secondaries vintage on $14bn, a total matched in July by pan-European private markets manager Ardian, which raised $14bn for its Ardian Secondary Fund VIII, as well as a locking in a further $5bn of co-investment for the vehicle. Goldman Sachs, Harbourvest and AlpInvest enjoyed similarly fruitful outings to the fundraising market, raising $8bn, $9bn and $10.3bn for their secondaries programs respectively.

According to Greenhill, the combination of strong fundraising and a dip in deal activity has seen the capital overhang in the secondaries space rise to a multiple of 2.9x, a ratio not seen since 2016. As secondaries players move to deploy their capital piles, demand for new deals is expected to realign with supply after the 2020 Covid disconnect, bringing the market back into sync in 2021.

"We view the market as being relatively balanced between supply and demand. The capital overhang multiple will likely drop with the growth in both GP-led and LP portfolio supply we expect in 2021," Bernhard Engelien, co-head of Greenhill's European Private Capital Advisory team, said as Greenhill released its 2020 secondaries figures.

According to fund adviser Triago, attractive pricing in desirable strategies will also support appetite. Triago notes that large leveraged buyout funds, for example, are now pricing at 96 per cent of NAV, two per cent cheaper than five-year annual average of 98 per cent.

Triago says the slowdown in capital distributions, as a result of the weaker market for M&A exits, will also spark a surge in secondaries deal activity. For the first time since 2011 fund calls outpaced distributions in 2020, leaving many private equity programs cash negative. Triago said this would "provide impetus for portfolio clean-ups using the secondary market".

...but the market has shifted

But although all indications point to a positive year for secondaries transaction activity, the market is unlikely to slip back into the same patterns as pre-pandemic.

"The regain in market confidence has not been broad based," Greenhill's Engelien said. "We have seen buyers focus primarily on assets in 'Covid-proof' sectors, newer vintage funds and more concentrated exposures, which are easier to diligence and underwrite."

The pandemic also appears to have seen a huge shift towards GP-led deals as a source of deal flow for secondaries deals. During the last year, with many managers reluctant to bring assets into M&A auction processes in a volatile market, GP-led deals have come into their own like never before.

GP-led transactions have proved a perfect vehicle for managers running funds approaching the end of term to provide liquidity for LPs who require it, without having to offload prized assets in sketchy markets that might not deliver on valuation expectations.

High-profile GP-led deals secured over the last 12 months include Coller Capital and Permira partnering in a $829m deal that enabled Permira to roll the last four assets in its Permira IV fund into a new vehicle, while Summit Partners is said to be lining up a multi-fund deal that could involve $1bn of assets or more.

Deals like these have demonstrated the optionality offered by GP-led structures and have seen these deals gain tractions like never before. LP appetite for GP-leds is also rising, as they offer lower risk deals and shorter investment periods. According to Triago, the deal value of GP-led processes actually increased by just under a quarter (23%) in 2020, despite the drop in overall secondary activity. This meant that for the first time ever, GP-led deals accounted for the majority (52%) of overall secondaries activity. In 2019 only 36% of activity involved GP-led deals.

Alongside the rising prominence of GP-led deals, the market has also seen an uptick in single-asset secondaries, which serves as another sign of how the market is adapting to provide GPs and LPs with a suite of liquidity options, tailored to their specific situations.

"One of the main features of the current market is increased buyer selectivity. As a result, we observed a significant increase in mosaic solutions, in which several buyers buy subsets of a portfolio, in order to maximize pricing for sellers," Engelien said.

THE PRIVATE EQUITY AWARDS 2021

HOUSE OF THE YEAR AWARDS

Real Deals is pleased to announce the House of the Year shortlists for the 2021 Private Equity Awards. The shortlists recognise the private equity houses that excelled in fundraising, new deals and exits, as well as the overall evolution of the firm. Finalists for the House of the Year awards are established through research undertaken by *Real Deals*, in association with Preqin. Congratulations to all the finalists!

The SHORTLIST

CONTINENTAL REGIONAL HOUSE OF THE YEAR

Bridgepoint Development Capital

Capza

Deutsche Beteiligungs

Deutsche Private Equity

Investindustrial

Latour Capital

Main Capital Partners

Priveq Investment

GLOBAL HOUSE OF THE YEAR

Apax

Ardian

EQT

MML Capital Partners

Nordic Capital

Searchlight Capital Partners

PAN EUROPEAN HOUSE OF THE YEAR

Aquiline Capital Partners

ArchiMed

Eurazeo

H.I.G. Europe

IK Investment Partners

Stirling Square Capital Partners

Vitruvian Partners

Waterland Private Equity

SPECIAL SITUATIONS HOUSE OF THE YEAR

Aurelius

Certior

Endless

Rutland Partners

Sun European Partners

UK HOUSE OF THE YEAR

CBPE

ECI Partners

Elysian Capital

Inflexion Private Equity

Livingbridge

Tenzing

VENTURE CAPITAL HOUSE OF THE YEAR

Earlybird

Forbion

Kennet Partners

Octopus Ventures

Organic Growth

Often an overlooked aspect of value creation, organic growth is essential for materially improving companies' professionalism, geographical reach and product and service offering. Real Deals' Jennifer Forrest presents examples of organic growth success.

Sandbäckens

SEGULAH

Marcus Planting-Bergloo, managing partner

We acquired Sandbäckens in May 2016. It was a founder-led business, which we acquired from a group of five owner entrepreneurs. Sandbäckens is a Swedish business focusing on heating and sanitation, like a traditional plumbing business. It had 17 locations across Sweden when we acquired it, as well as 400 employees and a turnover of about 650m Swedish Krona. We acquired a majority and the founders stayed on and continued to develop the business with us.

We had a few ideas about what we wanted to do with the business; one was to continue to drive organic growth in existing companies, but also make greenfield establishments in new cities across Sweden.

WORKFORCE IMPROVEMENT

The founders are still part of the business, but we also worked to bring in a completely new management team, with a new CEO, a new CFO, a new HR manager and a communications manager. In addition, we also hired a lot of people to join as more general employees. We started with 400 employees in 2016 and we now have 800 employees, therefore doubling the workforce.

What we also put quite a lot of emphasis on is finding the right industrial advisors to bring on to the board of the company. This is a fundamental part of our business model. In this case, we had some very seasoned industrialists (including a chairman and a couple of non-executives) on the board of the company that clearly knew the industry inside out and that was very helpful.

SERVICE AND REGIONAL EXPANSION

We also had a few, more specific, things we wanted to focus on. One was to increase the sprinkler business. As I said, it was a traditional heating and plumbing business, but we also had a sprinkler business that we thought was quite interesting, so we wanted to grow and develop that division.

Ultimately, we have developed a very strong sprinkler business that is now number 1 or 2 in Sweden. And, in addition to that, we also introduced a number of new initiatives for the business. This includes medical gases for hospitals and a broader fire safety offering.

In terms of the greenfield establishments, we were present in 17 cities when we acquired the business and we are now in 30 cities, close to double the number of branches. In order to move a business into a new city, we had to find suitable people and the right branch manager. We worked very closely with the management team to increase brand awareness across the new regions.

We also made a number of add-on acquisitions, but organic growth is super important to us. In the case of Sankbäckens we recorded 15 per cent organic growth yearly.

30
Greenfield sites grew from 17 to 30.

X2
Workforce numbers doubled from 400 to 800 employees.

15%
The business recorded 15% yearly organic growth.

Grayce

LITERACY CAPITAL

Richard Pindar, chief investment officer

We invested in Grayce in July 2018. It was set up in 2012 by a husband and a wife team. At the point we invested, they had grown the business to approximately £5.5m of revenue, £1.5m of EBITDA and analyst headcount of 100. The Grayce business model is to recruit high calibre graduates from leading universities, place them on a structured training programme and deploy them into their blue-chip client base, predominantly on business change and transformation projects. Graduates stay for at least three years and are fully paid during all their training. They typically work for two or three different clients across that period, providing them with a variety of experiences, with clients benefitting from a flexible graduate talent pool.

AUGMENTING THE MANAGEMENT TEAM

Enhancing the management team was one of the things that the founders wanted to address as part of the transaction, given one of the two founders wanted to leave completely. The already lean management team of two was to become a management team of one. To supplement the team, we added a chairman at completion, we added a new CFO and we also hired a new sales director who joined a few months after completion. We effectively created a senior management team of four people rather than one, to allow the business to scale.

About a year after our investment, the remaining founder was looking to step down, and so we also brought in a new CEO. The CEO joined the business in January 2020.

All of the new recruits had experience in growing and running much bigger businesses and had grown them at a faster rate than Grayce had previously been able to. Crucially, we felt they would also help to retain the unique culture that the founders had built.

SCALING CLIENT BASE

At the time we invested, a lot of the clients that Grayce had were reasonably small, and were businesses that were probably not able to scale into large accounts. The business had a high number of clients but many weren't big enough, with analysts often being placed in ones and twos. This meant it would be difficult to manage these accounts and the business, if we continued with this approach.

One of the focuses we had and the business has been very good at is targeting bigger clients, that have the potential to grow into larger accounts. It is far easier to manage an account with 20 analysts than ten clients with two analysts each.

When we invested, two or three of Grayce's top ten clients were in retail, which then was already in a difficult place and were unlikely to ever be large accounts. Today, the largest clients are now in pharmaceuticals, financial services, insurance, legal services or energy.

Overall, the level of confidence and ambition in Grayce has certainly increased. I think that's been the biggest change and biggest help in creating value in the business. If they had been worried to spend more on rent or hire an extra salesperson, we've said "look, we need to make those investments if the business is going to grow". I think that's been the biggest change and mindshift change within the business since we invested.

£15m
Revenue trebled since Literacy's investment.

X2
Ebitda more than doubled since investment.

300+
Analyst headcount grew from 100 in 2018 to over 300 this year.

Nurseplus

SOVEREIGN CAPITAL

Dominic Dalli, managing partner

Nurseplus offers ongoing recruitment opportunities for nurses, care assistants, support workers and community care staff. We first met Nurseplus in 2011, when the business was being sold by its founders to Key Capital Partners. We thought it was a really interesting business, and we tracked its growth for four years before we invested in 2015. What we really liked about Nurseplus was the fact that it was supplying to a very specific market and a market we knew very well, care homes and into private hospitals. And we were particularly impressed with the quality of what they were doing as well. Their levels of compliance were high and that's not always the case in recruitment or healthcare recruitment businesses.

REGIONAL GROWTH

Over the four years we were monitoring the business, it opened new offices around the south of England and the south-west. In the conversations we were having with the management team, even before we invested, we were developing our understanding of how they were assessing new areas - where did they perceive there would be demand for their services, and specifically, areas with a high elderly population and the right demographics for their service to be relevant.

We thought this service could be rolled out nationally, and that was the strategy that we put in place. When we invested in January 2015, the business had 32 branches, predominantly around the south-east, but also developing around the south and south-west. It currently has over 50 branches and is now a national business throughout England. We did considerable demographic analysis before we invested in the company to gauge where a Nurseplus service would thrive and we identified more than 50 areas around England. We have looked into opening in Scotland and Wales, there's no reason why we can't establish there also.

Additionally, we created a centralised recruitment support hub in Liverpool. It's the second biggest operation outside of the head office. This is where a lot of the initial recruitment effort starts, whether that be managing job boards, SEO or general candidate attraction. We front-end the recruitment process, so when a candidate applies, we make sure we get on the phones straight away and do some of the initial checks before that application is passed on to the branch.

TECHNOLOGY

In the last couple of years, we've invested in what we call the Candidate Interface - so we have an app whereby a candidate can monitor the shifts that are not just allocated to them, but are coming available, often at the last minute. We enable the candidate to upload their time records and time sheets remotely so they don't have to be physically present in a branch on a Friday - particularly relevant at the moment.

We've just appointed a head of technology with the expectation that later this year we'll actually have candidates do what's called self-appointing - i.e. book themselves on to a shift rather than having to do that through the branch. This will enable a candidate to review their shifts, book themselves onto one later that day, if that is what they are looking for, and be paid for having worked that shift the next day.

We had started this before Covid but, like the rest of the world, the pandemic has accelerated the need for technology and technology investments.

Nurseplus is one of our businesses that has somewhat benefitted from the pandemic. We have a Covid testing service, we have a vaccination service - so Nurseplus, for example, is helping schools and sports clubs with their Covid testing needs. They've been able to be pretty nimble about what they offer to support the whole pandemic effort. And we've launched a privately-funded home care service also. ●

£80m

Nurseplus' revenue increased from £45m at investment to over £80m.

14%

Margins increased from c.10% to mid-teens.

50%

Number of workers on Nurseplus' books increased by 50% during investment.

Sortera

SUMMA EQUITY

Reynir Indahl, managing partner
Hannah Jacobsen, investment director and head of IR

Sortera is a complete environmental service provider, and one of the largest and leading niche providers of construction and industrial waste solutions in Sweden and Finland. We acquired the business in 2016 and have worked to develop its reach and offering both organically and through 10 add-ons acquisitions.

GEOGRAPHICAL AND PRODUCT EXPANSION

When we acquired Sortera, it was predominantly focused on Recycling in Stockholm and had recently expanded to Gothenburg. It has also mainly been growing organically. However, we saw an opportunity to further expand the business and also set up a new site in Malmö which enabled us to cover 75% of the Swedish population. In addition to this, we recently expanded the business through an add-on acquisition, establishing presence in Finland, Helsinki.

We invested in add-ons in these cities to provide us a base for growing Sortera, before building additional divisions and operations. To grow traction in these regions, the company invested in to marketing to lift brand recognition, for example, through branded builder bags and fleets across Sweden.

The company succeeded in replicating its business model in Gothenburg and Malmö and has rapidly increased the volumes being processed in both locations. Organic growth rates have been above double digits in new geographies for several years through focused sales and marketing efforts and Sortera quickly establishing itself as a quality service provider via a combination of organic growth and selected add-on acquisitions, we have achieved 15% organic growth to date. This has been achieved through focused sales efforts, ensuring a high quality offering enabling customer wins and price optimizations, as well as offering customers high recycling rates key for improving customers sustainable footprints..

MANAGEMENT

The core management team has been part of the whole journey since we invested. However, the team has expanded alongside the business, through both acquired teams and external hires. In particular, we brought in a sustainability manager to embed ESG thinking, as well as other new positions to support the company's evolving needs.

Sebastian Wessman was also brought in as new CEO during our ownership of Sortera to succeed the founder Conny Ryk. with extensive experience from the recycling industry. The two of them developed a really positive working relationship and managed the transition seamlessly. The new CEO has brought a level of professionalism to how the business is run, while also retaining the unique culture, entrepreneurialism, skills and mindset that has made Sortera successful.

The founder remains on the board, providing valuable advice and support to the management team, while also working in an M&A capacity with the company.

SUSTAINABILITY

On the sustainability side, we have worked very closely with the Sortera team to develop their approach. With our expansion of the business into new sites, we invested heavily in both machinery and physical infrastructure. We've also renewed the fleet to be the most eco-friendly in the region. Sortera was placed 11th in a ranking of the most sustainable B2B companies in Sweden.

Sortera is taking recycling and sustainability very seriously, through comprehensive reporting of its carbon footprint and its measures to reduce CO_2. We have seen other companies fold due to a lack of focus on sustainability, so we believe that making this a priority has been key to increasing awareness, reputation, and market share, fuelling organic growth.

Sortera was Summa's second investment and this will be the fourth year that we report on its growth and progress in driving sustainability. It is also one of the pilot companies in Harvard Business School's Impact Weighted Accounting initiative, which we are supporting, so we will soon be able to report its ESG footprint in monetary terms, which is a very exciting development. ●

15%

Sortera has reported 15 per cent organic growth since it was acquired by Summa Equity, supplemented by 10 add-ons.

1.4bn

Revenue increased from ca SEK 200m when we invested to SEK 1.4bn in 2020 PF.

14%

EBITA margin 14% in 2020 PF.

Q&A

CORPORATE FINANCE CORNER

DIGITALISATION AND DATA IN THE M&A AND PE INDUSTRY

ARX Corporate Finance partner Julien Belon discusses how digital systems and data management tools are transforming PE and M&A deal processes.

By *Talya Misiri*

What changes that have taken place when it comes to data in the M&A and PE industry?
Ten years ago, data in the industry was just made up of databases with no direct or guided intelligence to assist its users.

Since the 2000s, M&A and private equity firms used databases that were linked to publications such as Merger Market and Thomson Reuters. At the time, it was a useful tool for those working in the industry because it helped dealmakers to identify counterparties, buyers, targets or intelligence and to identify the best players in Europe and globally.

Ten years later, more intelligence was introduced to the data, meaning that dealmakers could use databases daily in valuation or counterparty issues. Like a lot of industries, the private equity industry came to understand that data is central to daily work and not just secondary, so they began to use it more and more, both on public databases and with the use of their own CRM platforms to improve their potential dealflow.

CRM tools have allowed firms to link their own deal flow data to data coming from the broader industry. And, this information can be both past and present, which is invaluable.

How have digital data tools improved transaction process?
Digitalisation has essentially made M&A and private equity firms' processes more efficient. As professionals become busier, digitalisation has enabled firms to save time, for data collection employees and analysts, and make transactions much quicker and smoother.

Digitalisation has also assisted with the accuracy of information and allows investors and advisors' go to market to be much quicker. In the next five years, being digitalised in terms of the management of firms' information, including having a good view on your dealflow and internal data, will be a commodity, thanks to the CRM tools. In addition, to make full use of data, links have been created to and from the CRM with external information on the industry or sectors of interest to assist with processes and intelligence.

And, the CRM can also be used to create industry trends and overview reports; to contact and source buyers and to contact counterparties. This can also be of assistance when meeting deal counterparties to give managers a data-overview beforehand.

> **Looking forward, digitalisation will assist firms with their profitability, as well as accuracy and efficiency...CRMs will become a commodity and data held by firms will be extremely more organised and streamlined, so this will assist with improving deal processes overall.**

What are the benefits of digitalising the deal process? How does this help buyers and sellers?
I used to work at SocGen where I managed the digitalisation of a large part of the small cap industry. Digitalisation is largely beneficial in this area because before this, professionals in the small cap space used to put in the same work as those in the large or mid cap space, but it is not the same profitability and in some cases, small cap can be more complicated, so without digitalisation it could take a lot of time and precious resources.

It's really important, therefore, for the small cap industry to embrace digitalisation. Banks are also asking us to work with them on this for their small cap businesses because it's simple but necessary. A lot of retail banks in particular want to use digital tools to manage connections between small businesses and M&A bankers.

Furthermore, for large deals, digitalisation is important to aid the deal process in terms of data monitoring, Q&A sessions, KYC information and the management of data overall.

Where are AI tools being incorporated into the industry?
The industry is starting to use AI-powered tools with the view that it will likely complement databases that are already being used.

Where AI is being used includes the origination process. Where previously a key word would be entered into a database and it will give a small selection of targets in that space. Now, thanks to machine learning, dealmakers have the ability to identify new targets and buyers, in addition to what the database would have provided them with previously. These systems will automatically update with the latest, real-time information to ensure that dealmakers can target the newest opportunities as or before they become available, as well as identifying buyers.

At the moment, the most active investors who are using AI tools are venture capital investors because tech is already a daily working component for them and they have a lot of information to manage in terms of dealflow and opportunities.

Going forward, how will data and digital tools transform the deal origination and execution processes?
Prior to the introduction of digital tools and data management systems, firms could only focus on transactions on a deal by deal basis, due to the intensity of the deal process. Now, digitally assisted investment firms are able to look at more than one deal at a time and have a steady stream of portfolio and potential target information coming through.

Looking forward, digitalisation will assist firms with their profitability, as well as accuracy and efficiency of daily work. CRMs will become a commodity and data held by firms will be extremely more organised and streamlined, so this will also assist with improving deal processes overall.

WEBINAR

THE TRANSFORMATION OF THE EUROPEAN INVESTOR BASE

In a recent webinar hosted by *Real Deals* in association with TMF, a panel of experts shared their thoughts on the evolution of the European LP base, how regulation had reshaped the landscape and what this meant for managers and investors targeting the region.

Over the last three decades the European investor universe has evolved from local pockets of LPs supporting domestic managers into a diverse mix of investors with different objectives, priorities, and manager selection criteria.

How, then, should GPs approach this diverse set of potential investors, and how can managers direct their fundraising efforts to the pockets of investors where their offering is most likely to gain traction?

In a recent *Real Deals* webinar, hosted in association with TMF, a panel of fund experts discussed the reasons behind the transformation of the LP universe and what this meant for managers. Here are some of the highlights:

ON THE PANEL:

Peter Flynn
chief executive and founder, Candela Capital

Anja Grenner
head of sales, Funds Services Luxembourg, TMF Group

Manfred Dietrich
head of investment funds and asset management, Norton Rose Fulbright

The evolution of the European LP base

Candela Capital's Peter Flynn said that although the US LP community had been "light years" ahead of their European counterparts 20 years ago, the gap had "very significantly narrowed".

"The most sophisticated European investors are as sensitive to latest areas of added value as their US counterparts. It's probably fair to say that the US market is still a bit deeper in terms of opportunities, and the number of both GPs and LPs, but Europe has very significantly closed that gap," Flynn said. He added that in some areas, such as assessing managers against ESG criteria, Europe was leading global markets.

TMF Group's Anja Grenner said that European institutions had undertaken a significant shift in their asset allocations during the last two decades, and had embraced higher yielding alternative assets. This meant Europe presented attractive pools of capital for managers globally.

The mechanics of running European funds

Grenner explained that the mechanics for raising capital from European investors had evolved, with the introduction of the alternative investment fund managers directive (AIFMD) by the EU contributing to that.

AIFMD's implementation from 2013 onwards ushered in a period where service providers started to broaden out their offerings to include depositary and fund manager services alongside administration work.

Managers raising capital in Europe, therefore, needed to be aware of the regulatory requirements for administration, depositary and alternative investment fund manager (AIFM) services, and options to bundle these services together into a single "one-stop shop" solution versus separating out these functions.

AIFMD: help or hindrance?

Although the introduction of AIFMD saw the formation of the fundraising passport, which allowed managers to raise capital from all countries in the EU, Flynn argued that AIFMD had been a "barrier" for third-country managers trying to raise capital from European LPs and "added costs".

"There are methods whereby the best managers, and the best overseas managers, can get access to European investors, but essentially it has been a drag and it's added inefficiency," Flynn said.

Norton Rose Fulbright's Manfred Dietrich, however, said that given the fact that when AIFMD was implemented it was a "new directive in a new field" it had functioned "quite well".

Dietrich said the EU had learned from the implementation of the UCITS directive in the 1980s (which allowed for the sale of cross-Europe mutual funds) and that AIFMD had proven "a relatively good framework from the beginning".

Grenner added that although AIFMD had not being "the most beloved piece of legislation when it was introduced", the directive had its merits and had supported "a certain harmonisation" in Europe around processes and controls. She said the AIFMD II, the next iteration of the directive, was looking at ways to achieve harmonisation on an even deeper basis.

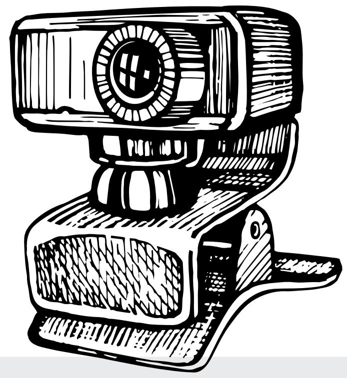
What institutional investors want to see

In answer to an audience question, asking if AIFMD-lite managers who were below the threshold were at any disadvantage when approaching European institutions, Dietrich said that on the whole, European institutions did not face any hurdles when it came to backing managers who were below the threshold requiring a full AIFMD licence.

"In general, it should not be a problem. In my experience bigger institutions and the development banks have not raised any concerns," Dietrich said.

Grenner added that when working with sub-threshold funds, the regulators had still ensured that these funds were closely monitored.

"We have a couple of these sub-threshold funds that we work with. There is no official AIFMD, but the regulators have pretty much made sure that what an AIFM actually performs from a risk, portfolio management services and risk control function is then also put on the shoulders of the general partners," Grenner said. "It is not the case anymore that just because a fund is sub-threshold it isn't doing what AIFM would do. It has just shifted to another entity that is performing the same services as the AIFM." ●



Venture Views

IN CONVERSATION WITH DAWN CAPITAL'S HAKON OVERLI

Dawn Capital's Hakon Overli discusses the B2B software investor's latest fund, emerging sectors and the wave of VC-backed tech business exiting to PE firms.

By *Sam Birchall*

Dawn closed its latest $400m fund to focus on B2B software last year. Has the appetite for B2B software investment increased?
Our new fund is our largest yet and also Europe's largest early-stage B2B focussed fund. We launched in March last year, just as the first lockdown happened, and managed to reach a final close in June. We did 85 per cent of the due diligence on zoom, which worked surprisingly well. It was also incredibly time efficient, as we could have calls with Asian LPs early in the morning, as well as US LPs in the evening. We only had one large investor who wanted to see the whites of our eyes and so wasn't able to invest, everyone else was happy to do it online.

We have a B2B mentality in that we like to build things over time and we've been doing this for over a decade. This meant fundraising wasn't very difficult for us because our track record is very good and we've built a strong network of global investors. Our first three funds are also ranked in the top 10 per cent globally for performance and were all oversubscribed.

We continue to see a strong appetite for B2B software companies. In particular, we focus on supporting early-stage SaaS and FinTech companies in Europe, a segment we continue to see vast opportunity in. Ultimately, venture is about lasting value creation. This is important because it's impossible to time the market, so you have to just make sure to have a number of high quality assets - that's how you make consistently high returns. Where we see a lot of opportunity, and where we hope to deploy our new fund is in data analytics, security and FinTech. Another very interesting area is "future of work".

What key trends in B2B software are you keeping your eye on?
Communication is going through a huge revolution at the moment. The younger generation has very different expectations about social interaction online and this has led to much more awareness around data. We are backing the entrepreneurs who have the vision to take advantage of these rapidly evolving environments. For example, we have invested in the secure chat app Element, which allows people to run their own communication infrastructure. Businesses or individuals use it to talk to everyone through the open global Matrix network and their conversations are protected by proper end-to-end encryption. It's a really interesting company because it's about democratising communication and 'sticking it to the man'. Google Play temporarily shut it down because it competes directly with Google Meet, so we felt that was quite an achievement. They eventually apologised and put it back up; it was very exciting.

It has a huge and growing range of customers too, including the French, German, UK and US governments, as well as universities, thousands of businesses and millions of people across the world.

In terms of other trends, we are at the start of an enormous FinTech revolution that is going to completely change the future of payment and processes. We are really just at the beginning of this. Quantum Computing is going to be huge too but it's really just in its infancy. It will be interesting to see how this impacts the venture landscape.

> **We are at the start of an enormous FinTech revolution that is going to completely change the future of payment and processes.**

As technology start ups scale at an exceptional rate and seek further operational support to grow, do you see more VC-backed businesses exiting to private equity firms?
Yes, private equity is becoming an increasingly good source of exits for VC-backed businesses. What we are starting to see is these businesses grow to a certain stage and need more operational enhancement and that's not quite what VC does, VC is more about growing the business. Thomas Bravo and Vista have been doing this for a while in the US and now we are starting to see it happen in Europe. It's good for the founders because they get another set of expertise and can keep building their business, and it works well for VC firms too because we get to recycle capital. This is a very recent trend, it's only been happening in the last 18 months but I expect it will continue to grow.

What is driving this trend?
There is an increased dependence on technology and the VCs that are able to accelerate the creation of new companies. There is potentially a generational factor at play here. There used to be a perception that software was too risky, but people have overcome their initial hesitancy because software doesn't break in the same way it used to. People have got over this skepticism and realised that the recurring revenues are perfect for private equity because they can operationalise the product. There are now so many tech companies valued at $1bn or more.

Deals in brief

Bain Capital and Cinven acquire Lonza Specialty Ingredients

Bain Capital and Cinven will acquire Swiss-based specialty chemicals manufacturer, Lonza Specialty Ingredients (LSI). Working together as a consortium, Bain Capital and Cinven, will acquire the company for a total enterprise value of CHF 4.2bn. LSI, a division of Lonza AG, is a provider of specialty chemicals for microbial control solutions, used to eliminate or control harmful and unwanted microorganisms. LSI products are used for a variety of products, including disinfectants and sanitisers. Bain Capital and Cinven will enhance the R&D capabilities of LSI, consolidate market share through buy-and-build opportunities and invest in its production facility in Visp, Switzerland. The transaction is expected to close in H2 2021, subject to customary closing conditions.

HEALTHCARE, FRANCE
Target Qoventia
In Careventures, UNEXO

Healthcare private equity firm Careventures has invested in French veterinary group Qovetia, alongside UNEXO, an investment fund of the Crédit Agricole Group.

Qovetia was established in March 2020 with the aim to become the first French group of practicing veterinarians with a European ambition. The group is made up of 80 veterinarians who are collectively the main investors of the group, alongside Careventures and UNEXO.

In the last 20 years, the Careventures team has contributed over €1bn to the financing of various consolidation projects in the European healthcare sector.

Together Careventures and Unexo will bring European experience in build-ups and the management of medical groups to support Qovetia's rapid growth and the further development of quality services.

FINANCE, UK
Target Nucleus Plc
In Epiris
CF Shore Capital, Craven Street Capital

Epiris-backed James Hay, a specialist pensions provider, is taking Nucleus Plc private.

This acquisition values the share capital of Nucleus at c.£144.62m.

Nucleus is an adviser-led, financial planning and investment platform for small to medium-sized adviser firms.

Following the acquisition, Epiris intends to merge the operations of Nucleus to create a financial planning and retirement-focused adviser platform with c£45bn of AUA and scale. The move will enable greater investment in technology, products and services to meet the needs of advisers and their clients.

As part of the deal, James Hay Holdings will acquire the entire issued and to be issued share capital of Nucleus. James Hay's offer price for the acquisition is 188 pence per Nucleus share.

Nucleus is being advised by Shore Capital and Craven Street Capital. The deal comes amidst broader consolidation of the UK platform space, driven by private equity.

MANUFACTURING, ITALY
Target IMA Group
In BC Partners

BC Partners, alongside the Vacchi family, has completed the take private of IMA Group. The business has been fully delisted from the Milan stock exchange. BC Partners and the Vacchi family now control 100 per cent of IMA. Founded in 1961 in Bologna, Italy, IMA Group specialises in the design and manufacturing of automatic machines for the processing and packaging of pharmaceuticals, cosmetics, foods and beverages.

The acquisition – negotiated and finalised amidst the Covid-19 pandemic is one of the largest take-private deals on a European stock exchange.

BC Partners will leverage its experience to support IMA as it continues to evolve and cement a global position in the sector.

EDUCATION, SPAIN
Target Macrolibros
In Gold Tower
Out Sherpa Capital
A Baker Tilly
L DLA, Mavens

Sherpa Capital has exited its investment in Macrolibros, selling the children's and educational book printing company to Gold Tower-backed Gráficas Ceyde.

Based in Valladolid, Spain, and founded more than 40 years ago, Macrolibros operates in the educational book sector, with a strong footprint in the international market. The company generates more than 70 per cent of its sales abroad.

Since Sherpa Capital backed the company in 2012, Macrolibros' strategy and focus has been on meeting increasingly specialised demand and fitting out the company with machinery that sets it apart from its competitors.

Gráficas CEYDE, which was acquired by Gold Tower Investments in 2019, is a generalist printer. The transaction is part of the consolidation process that the printing sector is undergoing. The group will continue to be led by the current management teams.

As part of the transaction, Baker Tilly served as financial advisor. DLA served as legal advisor to Sherpa Capital and Mavens as legal advisor to Gráficas Ceyde.

HEALTHCARE, UK
Target IVC Evidensia
In Silver Lake

Silver Lake has partnered with Nestlé to make a €3.5bn investment into IVC Evidensia, a European vet group. EQT will remain its largest shareholder.

The deal values the company at €12.3bn and sees EQT scrap plans to list the business on the London stock market.

It is the latest in a spate of deals that see private equity firms sell companies to themselves as opposed to listing them on the stock markets or selling them to other buyers.

Under the deal, EQT will sell the majority of its stake in IVC and its most recent €14.75bn fund will buy in. Silver Lake will take a minority stake and Nestlé will increase the size of its 2019 stake.

The IVC deal demonstrates the high valuations that petcare deals increasingly command and private equity's continued appetite for them.

MANUFACTURING, UK
Target Collingwood Lighting
In Ambienta
Out Baird Capital
A Raymond James
L Taylor Wessing

Ambienta has acquired Collingwood Lighting Technology Group from Baird Capital.

Ambienta's investment will help Collingwood to scale in the fragmented pan-European LED lighting market, which is reported to be valued at over £1.3bn.

Collingwood is a UK manufacturer of LED integrated lighting fixtures, which emit less CO_2 emissions in comparison to other alternate lighting.

The company was one of the first in the UK to supply a range of purpose-built LED lighting products for the UK electrical wholesale market and now has a growing presence in other international markets.

The acquisition marks an exit for

KEY:
D Debt
MZ MEZZANINE
NC Newco
B Broker
CF Corporate finance
L Legal
A Accounting
C Commercial
T Technical
MG Management
I Insurance
P Property
EV Environmental

A round-up of deals from the past few weeks.

Baird Capital, which invested in Collingwood in 2018 as part of its energy efficiency investment thesis. During Baird Capital's two and a half years of ownership, Collingwood saw over 11 per cent CAGR and doubled its adjusted Ebitda.

Baird Capital was advised by Raymond James (financial) and Taylor Wessing (legal).

AGRICULTURE, UK
Target Hedges Direct
Out Foresight

Foresight Group has sold its UK horticultural ecommerce business Hedges Direct Group, generating a 5.6x return to investors.

The exit marks the end of a four year hold, with Foresight having acquired Hedges in 2016.

During this time, Foresight has supported the company's growth while creating new jobs and opportunities in Lancashire.

Hedges is the second exit from Foresight Regional Investment LP, following the sale of Clubhouse Golf in March 2020 which generated a return of 6.1x.

Foresight's regional buyout strategy targets small and medium-sized growth companies in the North West of England, North Wales and South Yorkshire.

ENGINEERING, UK
Target BES
In Inflexion

Inflexion has re-invested in the British Engineering Services Group (BES) to support its next phase of growth.

Inflexion originally carved out the engineering testing, inspection and consultancy services specialist from RSA plc in October 2015.

In that time Inflexion has transformed BES, scaled the business, strengthened its team, invested in technological development and implemented a fully integrated back office.

Inflexion also supported a number of acquisitions to expand BES's offering.

TMT, UK
Target Olive Communications
In LDC
Out BGF
L Goodwin Procter, George Green Solicitors

BGF has exited its investment in Olive Communications, a Buckinghamshire-based cloud communications provider.

The business has been acquired by competitor Onecom, the portfolio company of LDC.

BGF invested £10m into Olive in 2016, helping the business grow to more than £31m in annual revenue, by expanding its customer base and further developing its range of services available to existing clients. BGF also grew the business's team with significant appointments.

The business consolidates and manages networks and services for more than 7,000 businesses across the UK, providing customers with a single, unified IT & communications infrastructure.

Onecom's acquisition of Olive was supported with follow-on funding from LDC, which invested in Onecom in a £100m deal in July 2019.

Onecom was advised by Goodwin Procter LLP, while George Green Solicitors acted for Olive.

FINANCE, SWITZERLAND
Target Fundbase
In Sovereign
A James Cowper Kreston
L Schellenberg Wittmer, Pinsents, Wolf Theiss

Sovereign-backed provider of regulatory and cross-border fund distribution services ACOLIN has acquired Fundbase, a digital fund distribution and data management business.

This is the first acquisition for ACOLIN since its investment from Sovereign in last year. Fundbase will help to further develop its client base and service offering, through a strategy of organic and acquisitive growth.

Fundbase provides asset managers with access to professional investors through a digital marketing and communications portal.

The business now has nine locations across Europe, including; Zurich, Geneva, London, Frankfurt and Belgrade.

Sovereign was advised by James Cowper Kreston (financial DD), Schellenberg Wittmer (legal), Pinsents (legal) and Wolf Theiss (legal).

TMT, UK
Target Jeffreys Henry
In Tenzing
CF Alantra

Tenzing has invested in tech-enabled provider of essential business services for UK SMEs, Jeffreys Henry.

Jeffreys Henry has spent 15 years developing its technology, including the use of workflow management and client interaction software.

The business provides its services to over 2,000 fast-growth businesses, international companies and high net worth individuals.

Tenzing's backing will support Jeffreys Henry through investing more heavily in sales and digital marketing, and offering greater opportunities through its dedicated Acquisitions Director support system.

Justin Randall will continue as Jeffreys Henry managing partner.

Alantra acted as advisor to Tenzing on the deal.

CONSTRUCTION, SWEDEN
Target Sandbäckens
In Segula
Out KLAR Partners

Segula has entered into an agreement to fully divest and sell Sandbäckens Invest Group to KLAR Partners.

Founded in Linköping 1993, Sandbäckens is a Swedish provider of heating & sanitation installations as well as sprinkler solutions and fire protection systems.

Segulah acquired a majority stake in Sandbäckens in May 2016. During Segulah's ownership, Sandbäckens' revenues more than doubled, while Ebitda increased threefold.

The firm's strategy was delivered through strong organic growth, in addition to eight add-on acquisitions.

KLAR Partners is a UK based mid-market private equity firm, focused on the business services and industrial sectors. The transaction is expected to close in Q1 2021.

FINANCE, CZECH REPUBLIC
Target Equa Bank
Out AnaCap
A Rothschild & Co
L CMS

AnaCap Financial Partners has sold Equa bank to Raiffeisen Bank International.

The Czech challenger bank focuses on consumer lending and serves 480,000 customers. It was acquired by AnaCap in 2011.

Under AnaCap's ownership, Equa bank's deposit base and loan book increased by more than 12x.

During this time, Anacap also introduced fully digital onboarding for new-to-bank customers, which led to more than 36x growth in revenues, the firm said.

AnaCap received financial advice from Rothschild & Co and legal advice from CMS Cameron McKenna Nabarro Olswang LL.

LOGISTICS, UK
Target Ligentia
In Equistone Partners
A PwC, KPMG
C Roland Berger
CF DC, Rothschild
D Santander
L Addleshaw Goddard, Squire Patton Boggs
T Crosslake

Equistone Partners Europe has invested in global supply chain management provider, Ligentia.

Founded in 1996, Ligentia manages international freight and supply chains for leading retailers, consumer brands and healthcare providers.

Last year, Ligentia recorded revenues of c.£300m.

Equistone's backing will support Ligentia as they deliver ambitious growth plans through strategic acquisitions and further enhance the development of Ligentix; Ligentia's proprietary customer technology platform.

Ligentia will continue to be led by CEO Nick Jones, who will also invest in the business. Equistone was advised by DC Advisory, Addleshaw Goddard and PwC.

Ligentia was advised by Rothschild, Squire Patton Boggs, KPMG, Roland Berger and Crosslake. Santander is providing revolving credit facilities to Ligentia as part of the transaction.

TMT, UK
Target Outpost VFX
In YFMg Equity Partners
A HMT
C RP Advisory
I Aon, VCT Phillip Hare
L TLT, Lester Aldridge
MG Stratton HR
T Grant Thornton

YFM has made an investment in Outpost VFX, a UK-headquartered film and TV visual effects company.

Headquartered in Bournemouth, Outpost VFX partners with global streaming platforms such as Netflix, Amazon, and Apple, and with major Hollywood studios including Universal.

The company was set up in 2013 and now has operations in Montréal, London and Los Angeles.

The investment will be used to develop the company's infrastructure, proprietary platforms and pursue further international growth.

TLT provided legal advice and due diligence, HMT LLP led financial due diligence, RP Advisory provided commercial due diligence, Grant Thornton led technical due diligence.

Organisational due diligence was handled by Stratton HR; insurance due diligence by Aon, and VCT Philip Hare & Associates.

The company was advised by Lester Aldridge.

TECHNOLOGY, UK
Target Herjavec Group
In Apax Partners

Apax Partners has acquired a majority stake in Herjavec Group (HG), a global Managed Security Services Provider (MSSP) and cyber operations group.

Founded in 2003, HG has a wide range of cyber services, which include cybersecurity advisory services, architecture & implementation of best of breed technologies, identity & access management, 24/7 managed security services, threat management and incident response.

The founder and CEO, Robert Herjavec, will remain as a significant stakeholder.

Apax will partner with HG's management team to build on the company's growth rate by focusing on international expansion, team enhancement and further investment in the company's cyber platforms.

The Apax tech team have previous experience investing in the market, having acquired cybersecurity advisor business Sophos in 2019.

CONSTRUCTION, UK
Target Premier Modular
In Cabot Square Capital

Cabot Square Capital has acquired a majority shareholding in Premier Modular, an offsite construction specialist in the UK.

The firm will partner with the Premier Modular management team to support the business in the next phase of its growth, including sector and geographical expansion.

During its three year investment, Carbot Square hopes to increase company turnover to £100m.

Premier Modular specialises in the construction of temporary and permanent buildings. The business provided modular buildings for Nightingale Hospital, as well as many of the UK's biggest construction projects such as the Olympics and The Shard.

London-based Cabot Square targets European companies with a particular focus in the financial services, property and infrastructure sectors.

PEOPLE

CATHAY CAPITAL

Cathay Capital has appointed **Arthur Yeung** as executive president.

In his new position, Yeung will work to boost Cathay's global knowledge-sharing platform, for mutual benefit and growth.

Yeung joined Cathay Capital in February 2020 to launch its Entrepreneur and Connect and Consult Platform, which provided executive coaching, networking, accessing unique industry and market insights and ecosystem-wide collaboration.

Yeung has over 20 years of experience, with corporations including; Tencent Holdings, Acer Group, China Resources Group and Philips.

Yeung will continue in his position as senior management advisor of Tencent Holdings.

BRITISH BUSINESS BANK

The British Business Bank has appointed **Elizabeth O'Neill** as general counsel and company secretary, effective February 2021.

O'Neill has over 20 years' experience advising on EU competition law, international law and corporate governance.

Most recently, O'Neill was head legal adviser for the Medicines and Healthcare products Regulatory Agency (MHRA), where she was responsible for leading the legal team, advising the secretary of state for health and social care, and the MHRA board.

KESTER CAPITAL

Kester Capital has hired three associates: **David Fernie**, **Jack Murphy** and **Conor O'Gorman**.

Fernie was most recently at PwC, where he joined the healthcare M&A team, advising on transactions across a range of healthcare subsectors.

Murphy spent five years at KPMG working in the M&A team focussing on business services and technology sectors.

O'Gorman joins Kester from Investec, where he worked as an investment banking analyst.

PIPER

Piper has made a number of changes to its senior team as it gears up to raise its seventh fund.

Dan Stern, who led on the recent sale of PROPER and on investments such as Neom, Wattbike and The Thinking Traveller, has been promoted to partner. Stern joined Piper in 2013 from 3i as an investment director.

The firm has also welcomed **Harry Williams** to the team. He joins from Oakley Advisory, where he spent three years providing corporate finance advice on mid-market M&A transactions. Williams will be responsible for sourcing and evaluating new investment opportunities, as well as supporting the investment and due diligence process.

The appointments follow the promotion last year of Peter Kemp-Welch to joint managing partner. Kemp-Welch joined the company in 2000 and has led the Piper investment team as a partner for the last seven years.

It is understood that Piper is preparing to start fundraising for its seventh fund. The GP, which invests in consumer branded businesses, closed its latest fund, PPE VI, on £125m in October 2016.

HAMPLETON PARTNERS

Hampleton Partners has appointed **David Bell** as director in its London office.

Bell has over 15 years' experience providing investment banking advice to technology companies and entrepreneurs, including M&A, minority sales and fundraising transactions. Most recently, Bell advised on the sale of Thoughtonomy to Blue Prism, and Dictate.IT to Clanwilliam.

EQT

EQT has promoted three senior members of staff **Carlos Santana** (Madrid), **Federico Quitadamo** (Milan) and **Jörg Kinberger** (Munich) to partner.

Santana joined EQT in 2018 and was previously managing director. Quitadamo joined EQT in 2017 and recently made the move to the Milan location from Zurich, where he is head of Italy.

Kinberger has been with EQT since 2009 and has been a partner of the PE financing team.

The three private equity partner promotions are part of 12 partner promotions across the company.

There has also been three promotions to partner in the venture team, including: **Henrik Landgren** (Stockholm), **Ashley Lunström** (Stockholm) and **Laura Yao** (San Francisco).

JET INVESTMENT

Jet Investment has bolstered its team with the appointment of **Artur Frankiewicz**.

As part of his new role as director of investment projects, he will be in charge of finding investment opportunities and managing subsequent projects in Poland.

Frankiewicz, previously served as director of sales and logistics Control with Unipetrol Group, CFO of Benzina, and CFO of Neeco Global ICT Services.

Before joining Unipetrol Group, Frankiewicz worked for PwC and Philip Morris, where he was responsible for audits and finance, and led projects in Portugal, Holland, Belgium and Germany.

TIKEHAU CAPITAL

Tikehau Capital has appointed **Hakan Karimi** as a senior advisor.

Based in Dubai, United Arab Emirates, Hassan will work closely with Frederic Giovansili, Deputy CEO of Tikehau Investment Management and global head of sales, marketing and business development, to strengthen the firm's long-standing relationships with regional investors, as well as developing new partnerships in the region. He will also be responsible for providing insights on allocation trends as Tikehau Capital con tinues to meet the growing demand from institutional investors.

Karimi brings 15 years of experience investing in the region and co-founded Dubai-based asset management firm KHK & Partners, where he will continue to serve as managing director.

KPMG

KPMG's deal advisory practice in the UK has appointed **Rajesh Sennik** as leader of its growing value creation practice.

Sennik has joined KPMG from FTI Consulting. At FTI, Sennik took responsibility in leading and developing the firm's TMT practice across EMEA and worked with leading corporates and private equity funds on transactions, operations and strategy.

Sennik has advised on transactions including Alliance Boots, Eurofibre and GTT's European fibre businesses.

At KPMG, Sennik will lead a commercial and operational strategy team to maximise deal value for the firm's broad client base.

GK STRATEGY

GK Strategy has appointed **Scott Dodsworth** as a director. He joins the senior management team and senior advisers, to strengthen the agency's integrated strategic communications and specialist political due diligence team.

In his new role, Dodsworth will work alongside other senior advisors such as former ministers David Laws, Phil Hope and Alistair Burt to support clients, as well as contributing to the agency's new business and growth efforts. He joins GK Strategy with 15 years' experience in public affairs and government relations.

Vulture

Breaking records

A new record may have just been set for the greatest number of video calls in one day. Sounding rather frazzled, the CEO of one advisory firm revealed to Vulture that he'd had eleven back to back, hour long video calls in a single working day.

"I'm so sick of looking at myself in the video camera," he complained. Ever the optimist, the CEO was quick to add: "At least business is good."

Family Drama

A general partner recently related how he was pleased to see a healthy spike in divorces and family feuds as a result of the pandemic. Apparently, too much time spent in close confines has led to a serious uptick in the number of founders having second thoughts about keeping the business in the family.

The GP could hardly suppress his glee while chatting to Vulture about a business that was recently acquired in this vein. "All this family drama is giving us new business!" he exclaimed.

All the cool GPs are doing it

Vulture has always been intrigued by the stories of how private equity firms are named. This week the old bird had the pleasure of speaking to the European VC firm Dawn Capital. After enquiring as to the origin of the firm's name, founder partner Haakon Overli said he was advised by a close friend that "all the cool companies are named after natural phenomenons."

If that's the case, Vulture can't help but wonder as to how long it will be until the industry gets its first 'Covid Capital'. Only the coolest GP could pull that off...

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